



TEXAS IT SERVICES INDUSTRY

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Contents

Overview.....	2
Computer Systems & Software.....	12
Cloud Services & Data Centers.....	16
Video & Online Games	19
Online Services.....	22
IT Services across Industries.....	25

Texas IT Services Headlines

ACTIVE Networks relocates headquarters from California to Dallas, plans to create 1,000 jobs



See Page 7

Google Fiber rolls out in Austin, the second U.S. metro to launch services



See Page 23

Healthcare IT company **athenahealth** opens major new office in Austin, plans to hire over 600



See Page 26

Texas ranks #2 in IT services employment nationwide



See Page 8

Oracle expands Austin office, plans to create 200 new jobs



See Page 13

Texas public universities award more than 36,400 IT-related degrees from 2008-2013



See Page 11

Data Center Map ranks Texas #2 for **colocation data centers**



See Page 16

Cyber security company **Websense** relocating California headquarters to Austin, plans to create 445 jobs



See Page 14

IT Services in Texas



Information technology (IT) services are a large and growing part of the Texas economy, with IT employment across industries exceeding 330,000 workers statewide. IT services, which have become the foundation of the modern knowledge economy, include software development, computer systems integration, IT network consulting, data center management, video game design, Internet services, and more.

While IT workers are most concentrated within traditional IT firms, like software vendors, IT services are also embedded throughout many other industries. As a result, skilled IT professionals are employed across a range of industries, from energy or financial services to health care.

The Texas workforce employed in data processing & hosting is over 60 percent greater than that of California

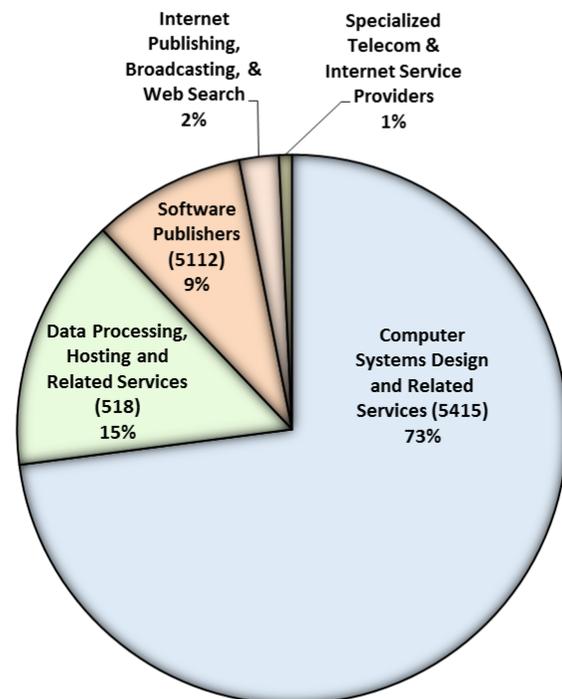
In fact, it is estimated that over 36 percent of Texas' IT workforce is employed by companies whose primary product or service is not in the traditional IT sector.

The Texas IT services industry is highly specialized in computer systems design, computer programming, and data management services. The percentage of the Texas workforce employed in data processing and hosting, for example, is greater than the national average and over 60 percent greater than that of California, according to the latest available U.S.

Bureau of Labor data. The percentage of Texans employed in computer systems design and related services also exceeds California's and the nation's averages.

Faced with the continuing growth of IT services, companies from other industries are increasingly expanding into the IT services arena. Leading PC-manufacturer **Dell** and telecom giant **AT&T**, both headquartered in Texas, have each acquired IT consulting, software, and online services companies over the past few years in order to broaden their IT service offerings.

Texas IT Services Employment
by IT Service Sector

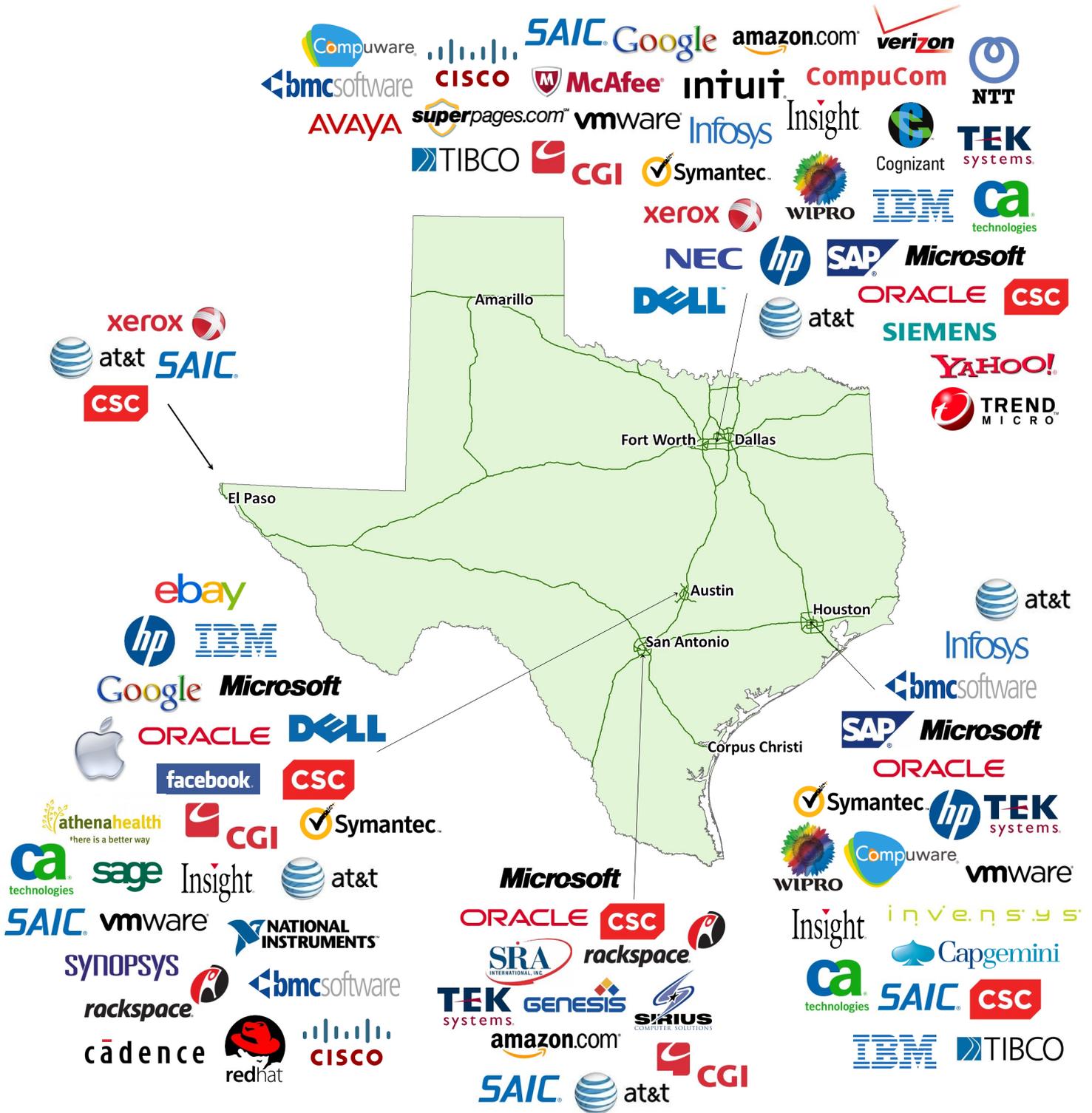


Data note: This report covers activities categorized in the North American Industry Classification System (NAICS): Computer Systems Design etc. (5415); Data Processing etc. (518); Software Publishers (5112); Internet Publishing etc. (51913); and Specialized Telecommunications etc. (517919).

Source: Texas Workforce Commission

Major IT Services Companies with Operations in Texas

Selected firms with total corporate revenues exceeding \$500 million



Representative sample only

Sources: D&B, company websites

Top 3 Texas-Based IT Titans



AT&T

HQ: Dallas
 Cloud, Hosting,
 and Network
 Services
 \$132.4 billion
 annual sales



Dell

HQ: Round Rock
 IT Consulting
 and Cloud
 Services
 \$57.2 billion
 annual sales
 (estimate)



**BMC
 Software**

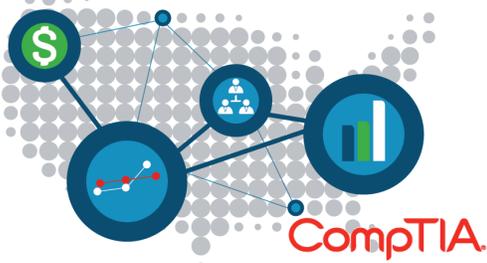
HQ: Houston
 Business
 Software
 \$2.2 billion
 annual sales

Texas Ranked No. 2 High-Tech State

Texas was ranked as the No. 2 state for high-tech employment in 2014, according to the 16th annual *Cyberstates* report, a state-by-state analysis of the U.S. high-tech industry. The report found that Texas' multiple high-tech sectors, including IT services, electronics manufacturing, and more, employed over 581,200 workers.

Cyberstates 2015 reported that the state's largest 2014 high-tech employment gains were in computer systems design and related services. In addition, Texas ranked No. 2 for the total number of high-tech establishments.

Cyberstates 2015™
 The definitive state-by-state
 analysis of the U.S. tech industry



Texas Attracts IT Services Investment from around the World

According to consulting firm fDi Intelligence, IT and software was the No. 2 sector for foreign direct investment in Texas from 2009-2013, measured by number of investment projects. Approximately 90 IT companies from 25 countries established or expanded operations in Texas during that period.

Selected foreign IT services companies with locations in Texas:



Canada

- CGI: Dallas, Austin, Houston, San Antonio, Belton, etc.
- Seccuris: Austin, Dallas



France

- Capgemini: Houston
- effisoft: Dallas



Germany

- COMPAREX Group: Dallas
- SAP: Houston
- Siemens: Plano



India

- HCL Technologies: Frisco, Houston
- Infosys: Dallas, Houston
- Wipro: Addison, Houston



Japan

- Fujitsu: Dallas, Richardson
- NEC: Irving
- Nintendo: Austin
- NTT: Plano
- Sony: Austin



United Kingdom

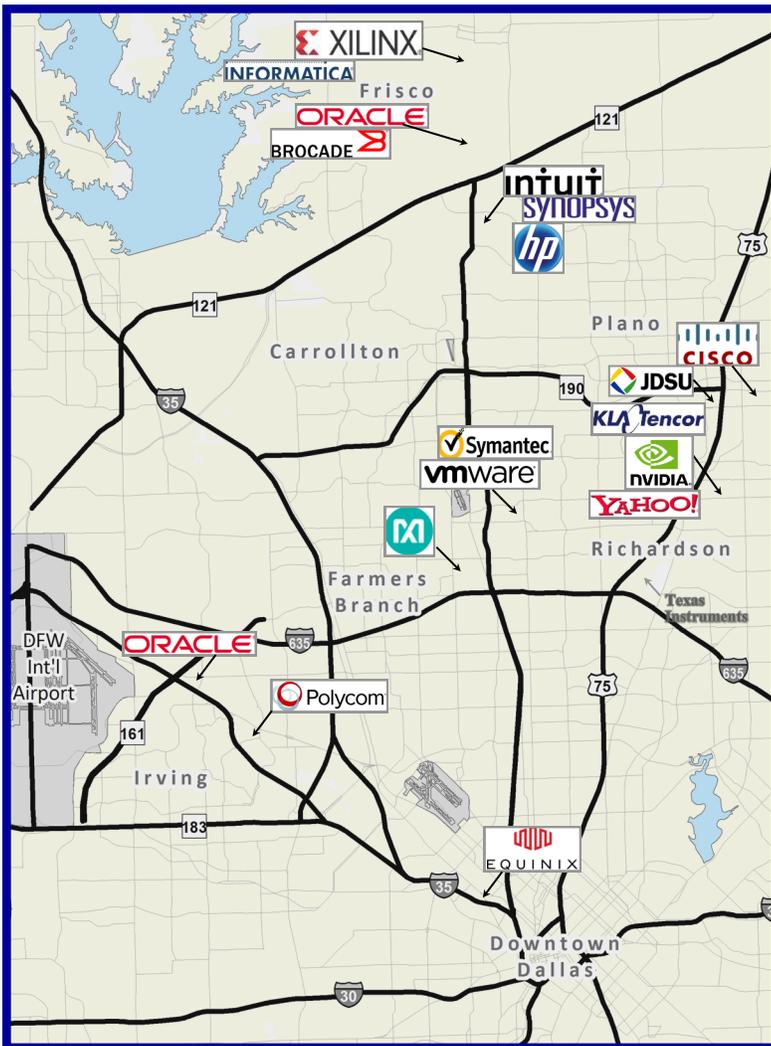
- Accenture: Austin, Houston, Dallas, & San Antonio
- Invensys: Houston
- Sage: Austin

Silicon Valley Finds a Second Home in Texas

More than 30 of Silicon Valley's largest technology companies—headquartered in the Bay Area of California—operate major corporate locations in Texas. The Dallas-Fort Worth and Austin metro areas host the state's largest concentrations of these companies.

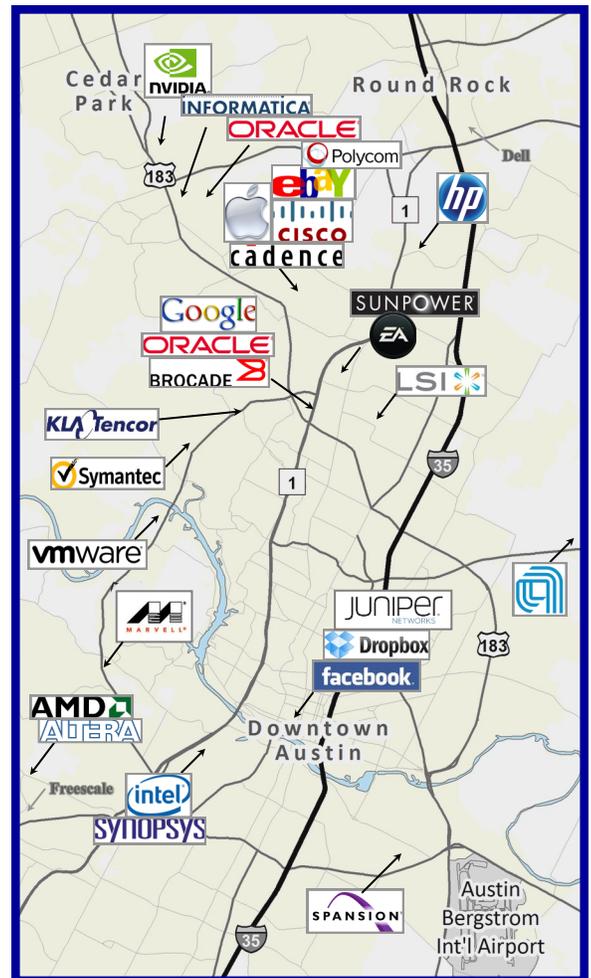
Silicon Prairie

Silicon Valley tech companies in Dallas-Fort Worth



Silicon Hills

Silicon Valley tech companies in Austin



State Government Initiatives

Business Incentive Programs

The Texas Enterprise Fund has invested **\$92.2 million** in 18 IT services companies

In 2003, the Texas Legislature created the \$295 million Texas Enterprise Fund (TEF), a “deal closing” fund created to attract businesses and new jobs to Texas. The Legislature reauthorized the TEF most recently in 2013. To date, the TEF has awarded over \$92 million to 18 IT services-related corporate expansions (see table below).

In 2005, the Texas Legislature established the \$200 million Texas Emerging Technology Fund (TETF) to back the commercialization of technological innovations across multiple industries, including IT.

The TETF was reauthorized most recently in 2013. To date, over \$33.1 million from the TETF have been awarded to 26 IT services-related projects, with over \$29.4 million going to startup commercialization and about \$3.6 million awarded to university projects. For details, see the Appendix on page 27.

To foster Texas’ growing video game industry, the Legislature created the Texas Moving Image Industry Incentive Program (TMIIP) in 2007 with an initial appropriation of \$20 million for cash payments to film and video game production projects. The TMIIP provides qualified video game productions the opportunity to receive a cash grant based on a percentage of a project’s eligible Texas expenditures, including eligible wages paid to Texas residents. The maximum potential award for video game productions that spend at least \$3.5 million in Texas recently increased to 20 percent of their eligible, project-specific Texas spending, depending on game budget

Texas Enterprise Fund IT Services-Related Awards				
Company	City	Description	Jobs	Award (Millions)
ACTIVE Network	Dallas	IT services/Software	1,000	\$8.6
Apple	Austin	Software and hardware	3,635	\$21.0
athenahealth	Austin	Software for healthcare	607	\$5.0
CGI Group	Belton	IT services for government	350	\$1.8
Dropbox	Austin	Software/Cloud services	170	\$1.5
eBay	Austin	E-commerce	1,050	\$2.8
Facebook	Austin	Social media	200	\$1.4
Frito-Lay	Plano	IT services for food manufacturing	125	\$1.1
National Instruments	Austin	Hardware & software R&D center	1,000	\$4.4
Omnitracs	Dallas	IT services for trucking industry	450	\$3.9
Oracle	Austin	Software	200	\$1.0
Rackspace Hosting	San Antonio	Data hosting/Cloud services	4,000	\$22.0
TD Ameritrade	Fort Worth	Online financial services	490	\$1.2
TEKsystems Global Services	Irving	Software & IT outsourcing	500	\$1.1
The Advisory Board Co.	Austin	Software	200	\$0.5
Virtual Computing Environment (VCE)	Richardson	Cloud computing services	130	\$2.4
Visa	Austin	IT services for finance industry	794	\$7.9
Websense	Austin	Security software	445	\$4.5
---	---	TOTAL	15,346	\$92.10

Source: Texas Office of the Governor

Texas Enterprise Fund
ACTIVE Network Selects Dallas to Relocate HQ , Creating 1,000 Jobs

In July 2014, **ACTIVE Network** announced plans to relocate its global corporate headquarters from San Diego, California to downtown Dallas, Texas, creating 1,000 jobs and \$13 million in capital investment. The company received a Texas Enterprise Fund investment of \$8.6 million to close the deal, along with local incentives.



Dallas Mayor Mike Rawlings, Dallas Regional Chamber CEO Dale Petroskey, and ACTIVE Network CEO Darko Dejanovic at the ribbon-cutting ceremony

The company held a ribbon-cutting ceremony at its new Dallas state-of-the-art facility in December 2014 (see photo below left). At the event, **ACTIVE Network CEO, Darko Dejanovic,**



said *"We were looking for a location with a business-friendly climate, a strong pool of talent, and a city that offered a great quality of life for our employees....Dallas proved to be our choice, and it has exceeded our expectations...its location makes it a great hub for our expanding global business."*

ACTIVE Network is a global leader in cloud-based Activity and Participant Management™, data solutions, and software-as-a-service (SaaS) delivered on a cloud platform, with over 47,000 customers worldwide.

levels. There is no cap on the total size of the incentive payment.

Tax Legislation for Data Centers

In June 2011, the Texas Legislature passed Texas House Bill 1841, which improved the Texas business climate for hosting and data center companies. The bill states that an individual or business whose only activity in the state is Internet hosting is not "engaged in business" in the state, and, therefore, does not have to collect Texas sales and use taxes from customers. The bill reversed a 2010 rule change made by the Texas Comptroller of Public Accounts, which said that renting a space on a server in Texas effectively established a business presence in the state.

In June 2013, the Texas Legislature passed Texas House Bill 1223, which provides a sales and use tax exemption on equipment purchases for data centers of

at least 100,000 sq. ft. that invest \$200 million over five years and create at least 20 full time permanent jobs paying 120 percent of a county's average weekly wage. Data centers will no longer have to pay sales tax every time they refresh equipment, which major data centers typically do every three or four years. The incentives went into effect September 1, 2013.



A data center interior

IT Services Workforce

Texas' IT services workforce is the second largest in the nation, with more than 203,700 professionals directly employed at over 17,600 IT services firms. These skilled workers are well paid, earning an average annual salary over \$96,600. The largest IT subsector in the state is computer systems design,

which encompasses the activities of custom computer programming, software consulting, systems integration, computer facilities management, and related services. This subsector accounts for nearly 73 percent

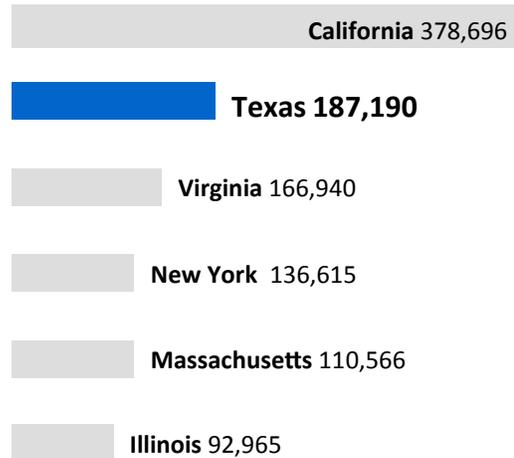
Texas ranks No. 1 in the U.S. for jobs in data processing & hosting

of IT services employment in Texas (see table below).

In addition to the total employment at firms dedicated to IT services, a separate workforce of approximately 129,500 Texans is employed in IT professions across all other industries. These workers include computer programmers, network analysts, software developers and other technicians embedded within sectors such as manufacturing, financial services, health care, etc. (See pages 25 and 26 for more detail about the IT workforce across industries.)



Texas Nationally Ranks No. 2 in Total Employment by IT Services Firms



Sources: 2013 U.S. Bureau of Labor Statistics data

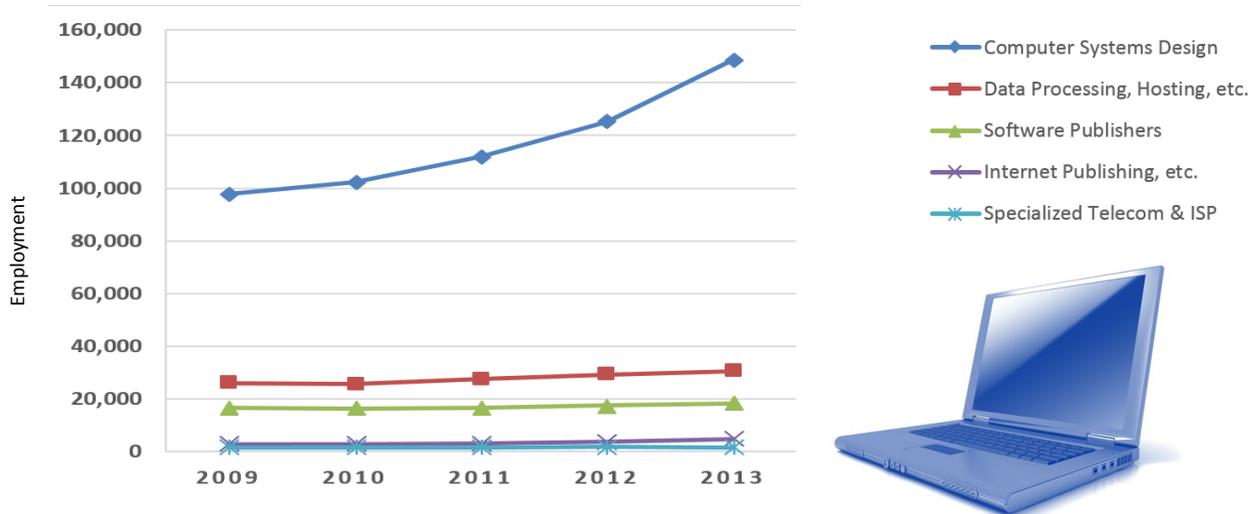
Information Technology Services Employment in Texas Third Quarter 2014

Sector (Industry Code)	Employees	Firms	Average Annual Wage
Computer Systems Design and Related Services (5415)	148,592	15,605	\$95,992
Data Processing, Hosting and Related Services (518)	30,522	731	\$86,528
Software Publishers (5112)	18,309	685	\$124,436
Online Services: Internet Publishing, Broadcasting, and Search Portals (51913)	4,744	540	\$80,548
Specialized Telecommunications & Internet Service Providers (517919)	1,563	104	\$79,924
TOTAL	203,730	17,665	\$96,647
Computer-Related Professions in All Other Industries*	129,560	NA	\$72,487

*Approximate: Based on 2013 Texas Workforce Commission data

Source: Texas Workforce Commission

Five-Year Trends: Employment in Texas IT Services Sectors, 2009 to 2013



Source: Texas Workforce Commission. Data from third quarter of each year.



Compared to the U.S. as a whole, the Texas workforce is significantly more concentrated in data processing, hosting, and related services than other states, according to the U.S. Bureau of Labor Statistics. Texas also ranks No. 4 nationally for employment in the computer systems design sector.

Employment at Texas IT services firms grew over 29 percent over the past five years

From 2009-2013, employment in the major IT services sectors in Texas increased over 29 percent. Computer systems design was the only segment that saw continuous employment increases each year during that period (see graph above) and experienced the most growth with almost 66 percent. The other four segments saw temporary downturns in 2010, followed by three years of continuous growth.

Texas' Top Rankings for IT Workers in U.S.

Texas is home to one of the largest clusters of IT professionals in the U.S. Texas' top national rankings for the number of workers in key IT occupations are shown below.

Occupation	Texas Rank
Computer Network Support Specialists	1
Computer User Support Specialists	2
Computer Systems Analysts	2
Computer Programmers	2
Database Administrators	2
Web Developers	2
Software Developers	3
Network Architects	3
Information Security Analysts	3

Source: U.S. Bureau of Labor Statistics

Education & Research

The IT services industry depends on a highly educated workforce and first-rate research and development (R&D) activities. Helping to meet these needs, Texas is home to some of the nation's

top-ranked computer science schools, both public and private, including five of *U.S. News & World Report's* top 100. Texas' public universities alone graduated more than 36,400

Texas' IT patent output increased by over 47 percent from 2003 to 2013

students with IT-related degrees over the past five years.

The state's top academic institutions are conducting increasing amounts of IT-related research, leading to record-breaking patent output and startup activity. In fiscal year (FY) 2013, Texas ranked No. 4 nationally for math and computer science-related R&D, according to the National Science Foundation.

Top Ten Texas Public Institutions for Computer Science R&D

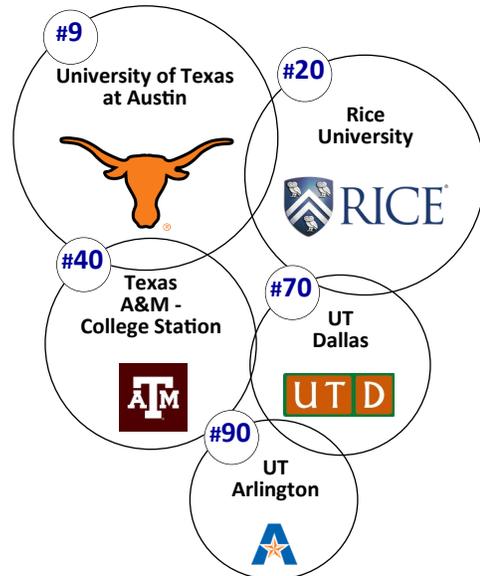
by FY 2013 Expenditures

Institution	Total R&D (Millions)
Univ. of Texas (UT) at Austin	\$81.6
UT Dallas	\$8.3
Rice University	\$7.6
UT at El Paso	\$7.2
Texas A&M University	\$5.4
University of Houston	\$4.9
Texas Tech University	\$3.6
UT at Arlington	\$3.5
UT at San Antonio	\$2.3
University of North Texas	\$1.3
TOTAL	\$125.7

Source: Texas Higher Education Coordinating Board

Texas Lassos Five Information Technology Schools in Top 100

In 2014, *U.S. News & World Report* ranked the nation's top 100 computer science schools. Texas landed five schools on the list:



Texas Universities

In the 2012-2013 school year alone, Texas public universities graduated over 8,400 students with IT-related degrees and a total of more than 36,400 since the 2008-2009 school year, according to the Texas Higher Education Coordinating Board. Most of these graduates obtained computer/information science or related engineering degrees (see table, next page). Additionally, Texas ranks No. 2 nationally for the number of schools (24) offering video game design and development degrees, according to the latest available data from the Entertainment Software Association.

In FY 2013, Texas universities invested nearly \$133 million in computer sciences R&D. The ten universities with the largest computer science R&D expenditures in FY 2013 (see table at left) accounted for almost 95 percent of the state's R&D total in that field.

IT-Related Degrees Awarded in Texas, 2008-2009 to 2012-2013 School Years

All Texas Public Universities, All Degree Levels

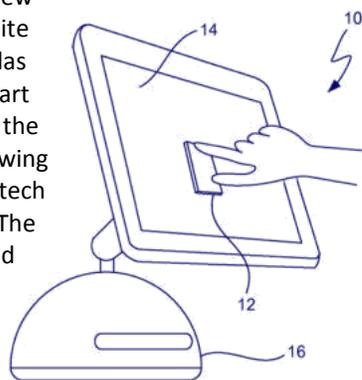
Computer & Information Sciences		13,427
Electrical, Electronics & Telecom Engineering		8,231
Mathematics & Statistics		5,773
Management Information Systems		4,700
Computer & Software Engineering		2,139
Digital Multimedia & Game Design		1,182
TOTAL		36,401

Source: Texas Higher Education Coordinating Board

Texas Ranks No. 2 in U.S. for IT Patents

Texas' growing strength in the IT services industry is due in large part to the robust pipeline of IT services related patents and venture capital in the state.

- Texas' annual **IT services-related patent output increased by over 47 percent** from 2003-2013 with a total 19,242 patents issued, according to the U.S. Patent and Trademark Office (USPTO).
- **Texas ranked No. 2 nationally in 2013**, the latest data available, with 2,606 IT services-related patents, according to the USPTO.
- In 2012, **Dallas was selected** as a location for one of four new USPTO satellite locations. Dallas was chosen in part because of the state's growing output of high-tech innovations. The office is expected to open in 2015.



\$1.9 billion

Amount invested by venture capital firms from 2010-2014 in 346 Texas IT services and software companies
-PricewaterhouseCoopers

Texas Is Top Ranked for IT-Related Doctorates

In 2013, the National Science Foundation ranked Texas among the top tier of U.S. states for number of doctorates awarded in IT services-related fields:

- No. 2 for **All Engineering**
- No. 2 for **Electrical Engineering**
- No. 3 for **Mathematics**
- No. 4 for **Computer and Info. Science**

Computer Systems & Software



As home to the headquarters of IT giant **Dell**, and major corporate campuses of companies like **Hewlett-Packard**, **Apple**, **IBM**, **eBay**, and **Facebook**, Texas is well established as one of the country's leading information technology states. In 2013, Texas ranked No. 4 in the U.S. for employment

Texas ranks **No. 1** nationally for computer network support specialists

-U.S. Bureau of Labor Statistics

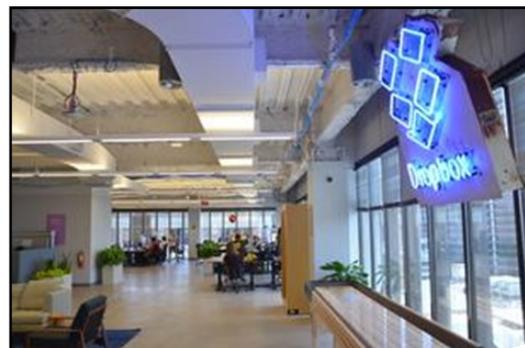
in the computer systems and software sector, which includes hardware and software integration, custom software development, web design, and other services. Texas is top ranked nationally for computer network support

Texas Enterprise Fund

Dropbox Expands in Austin

In February 2014, the State of Texas announced a \$1.5 million TEF investment in **Dropbox Inc.**, as part of state and local efforts to secure the California company's expansion in Austin, Texas. The company plans to invest \$5.5 million and create 170 new jobs.

Dropbox sells file hosting services that simplify the work and personal lives of millions of people around the world by letting them easily access and share their documents, photos, and videos from anywhere in the world.



Dropbox is finishing out a new office across the street from the Austin, Texas office pictured above



Computer Systems & Software Employment in Texas

Third Quarter 2014

Sector (Industry Code)	Examples	Employees	Firms	Average Annual Wage
Computer Systems Design Services (541512)	Hardware & software integration	72,411	8,161	\$92,716
Custom Computer Programming Services (541511)	Custom software development, Web design	67,162	7,082	\$99,684
Other Computer Related Services (541519)	Software installation, IT disaster recovery services	5,801	295	\$102,128
Computer Facilities Mgmt. Services (541513)	On-site support for client facilities	3,217	177	\$82,576
Software Publishing (5112)	Applications, Games, SaaS	18,309	685	\$124,436

Source: Texas Workforce Commission

specialists and related occupations, which are key breakouts in this industry sector (see table on page 9).

Texas' computer systems and software job gains have developed across a range of company types. While a long list of Fortune 500 IT firms, including **IBM**, **Xerox**, **Oracle**, and **Microsoft**, have invested heavily in Texas in recent years, thousands of small businesses have flourished in this sector as well. In fact, the average employee head count at the state's computer systems and software firms is less than 11.

Steady flows of venture capital (VC) underpin the strong IT startup culture in Texas, where from 2010-2014, VC firms invested \$1.9 billion in 346 software and IT services firms. In 2014, the National Venture Capital Association reported that Austin area investments surged 40 percent to \$620 million, largely fueled by software startups. Additionally, the state's Texas Emerging Technology Fund (TETF), which supports commercialization efforts of Texas startups, has invested over \$33 million in computer systems and software-related projects since 2005. See page 27 for details.

Texas Enterprise

Oracle Invests in Austin

In November 2013, California-based **Oracle Corporation** was awarded \$1 million from the Texas Enterprise Fund to secure the California company's expansion in Austin, Texas. The company planned to invest \$5.39 million to improve and expand its Austin facilities and to create 200 new jobs.

Oracle provides customers with hardware and software engineered to work together in order to meet their business needs. The company is one of the world's top software vendors and a

market leader in enterprise software.



Oracle's new 50,000 sq. ft. Austin, Texas office



IBM Opens First New Design Studio in Austin, Hiring Hundreds

In November 2013, New York-based high-tech giant **IBM** opened its first software development studio at its North Austin, Texas campus. The company announced plans to hire hundreds of new workers to staff the facility over the next five years, growing to 1,000 designers by 2018.

Austin's IBM Design Studio, one of four across the U.S. and nine worldwide, focuses on how software is designed, developed, and consumed by companies internationally. Employees will transform how IBM designs software, including big data, cloud, mobile, and social software, in order to maintain its leadership in the rapidly evolving IT services industry.

IBM's Austin campus includes an R&D lab as well as its SmartCloud Innovation Center and employs over 6,000. The Austin campus consistently produces more patents than any other of the company's development centers.



IBM Design Studio's open space conference room in Austin

**Central Texas:
Cyber Security Capital**

**RAYTHEON OPENS NEW
SAN ANTONIO CYBER CENTER**

Leading U.S. defense contractor, **Raytheon**, announced plans to consolidate three San Antonio area offices into a single cyber center in December 2013. The new San Antonio facility offers better collaboration and integrated services to ITS customers. The company operates 21 cyber centers globally, including a second Texas facility in Richardson.

Raytheon, a major provider of insider threat detection solutions to the U.S. government, is a leader in providing full-spectrum cyber capabilities and cyber training.



**Texas Enterprise
Fund**

**CYBER SECURITY COMPANY
RELOCATES HQ TO AUSTIN**

In February 2014, **Websense** was awarded \$4.5 million from the Texas Enterprise Fund to relocate its headquarters from San Diego, California to Austin, Texas, create 445 new jobs, and invest over \$9.9 million. The grand opening of the company's 90,000 sq. ft. leased facility was held in July 2014.

Websense is a leading global cybersecurity company, offering products to protect organizations from cyberattacks and data theft.



UNIVERSITY OF TEXAS AT AUSTIN

The **UT Center for Identity (CFI)**, established in 2010 to serve as a center for excellence in identity management, privacy, and security, announced a new initiative in October 2014. The CFI rolled out **IDWise**, a free online resource center to help businesses and citizens keep their personal information secure and protect against identity theft.



**DOD EXPANDS CYBER JOBS AT
JOINT BASE SAN ANTONIO**

The U.S. Department of Defense (DoD) rolled out plans to increase its cybersecurity force at **Joint Base San Antonio** by more than 1,100 new positions in July 2014.

The **Cyber Mission Force** expansion includes 438 based at the Lackland Medina Annex and another 600-plus based throughout San Antonio as part of efforts to support various cybersecurity missions. The expansion should be complete by FY 2016.



SOUTHERN METHODIST UNIVERSITY

In January 2014, a \$7.75 million gift from Darwin Deason, founder of Affiliated Computer Services, launched the Darwin Deason Institute for Cyber Security at SMU's Lyle School of Engineering. The new institute is headed by renowned cyber security expert Frederick R. Chang, formerly research director at the NSA.



Major Companies

Top Computer Systems & Software Companies with Operations in Texas

By Global Revenue in 2014

Company Name (Subsidiary)	Primary Location(s)	Sector	Total Sales (Millions)
Hewlett-Packard (HP Enterprise Services)	Austin, Houston, Plano	Computer systems design services & end-to-end software solutions	\$111,454
NTT	Plano	Computer systems design services	\$106,028
IBM	Austin, Dallas, Houston	Computer systems design services & end-to-end software solutions	\$92,793
Siemens	Plano	Product lifecycle mgt. solutions	\$90,985
Microsoft	Austin, Irving, San Antonio	Computer systems design services & utilities software	\$86,833
Dell Inc.	Round Rock, Plano	Computer facilities management services & software solutions	\$57,200*
Oracle	Austin, Dallas, Houston	Database & file mgmt. software	\$38,275
Accenture	Austin, Houston, San Antonio, Dallas	Computer systems consulting	\$31,874
NEC	Irving	Computer systems design services	\$29,533
SAP AG	Houston, Irving	Enterprise resource planning software	\$23,147*
Raytheon	Garland, McKinney	Aerospace and defense IT systems	\$22,826
Xerox (Affiliated Computer Services)	Dallas	Computer systems design services	\$19,540
eBay	Austin	eCommerce services	\$17,902
Capgemini S.A.	Dallas, Houston	Computer systems design services	\$13,892*
Computer Sciences Corp.	Austin, Dallas, Houston, San Antonio	Custom computer programming services & enterprise, security, etc. software	\$12,998
L-3 Communications (ComCept)	Rockwall	Custom computer programming services	\$12,629*
Allegis Group (TEKsystems Global Services)	Irving	Other computer related services	\$10,440
Cognizant	Irving	Custom computer programming services	\$8,843*
Infosys Technologies Ltd.	Houston, Plano	Custom computer programming services	\$8,249
SAIC Inc.	San Antonio, Austin	Network mgmt., custom programming, etc.	\$4,121

*2013 revenues

Representative sample only. Sources: D&B, company websites, Forbes

Top 5:



NTT



SIEMENS

Microsoft

Cloud Services & Data Centers



The cloud and data services sector, which accounts for 15 percent of Texas' IT services employment, includes companies offering data processing, hosting, media streaming, and other related services. With about 730 such firms employing more than 30,500 workers, Texas is the No. 1 state in the country for cloud and data services jobs. Compared to the U.S. as a whole, the Texas labor force is also uniquely specialized in cloud and data services. According to the U.S. Bureau of Labor Statistics, Texas' employment in this IT services sector (15.8 percent) exceeds the national average (11.2 percent).

Some of the world's largest hosting and data center companies are headquartered in Texas, including **AT&T**, **CyrusOne**, and **Rackspace** (see extended

list on page 18). Additionally, dozens of companies across various industries have selected Texas as the location for enterprise data centers (see selected examples, next page). Furthermore, Texas is ranked No. 2

nationally for colocation data centers with 146, according to Data Center Map, an Internet-based data centers industry data service. Dallas leads the state for

Texas ranks **No. 1** nationally for cloud & data services jobs

-U.S. Bureau of Labor Statistics

Texas Enterprise Fund

Rackspace Expands in Austin

In July 2014, San Antonio, Texas-based **Rackspace** announced plans to move 570 employees from an existing Austin office into a 194,000 sq. ft. location at Austin Community College's (ACC) new campus in the redeveloped Highland Mall in Austin. The move is part of the company's long-term plans to have 1,200 working at the ACC campus within ten years.

In 2007, the State of Texas announced a \$22 million TEF investment in Rackspace, as part of state and local efforts to secure the company's headquarters expansion in the San Antonio metro area. The project is expected to generate 4,000 new jobs by 2015.

Rackspace has become one of the world's largest hosting and cloud computing companies, with approximately 6,000 employees, 300,000 business customers, and data centers on four continents. The company is ranked No. 29 on Fortune's *Best Companies to Work For* list.



ACC Highland Mall campus

colocation data centers, which are multi-tenant rental data centers with shared resources, followed, respectively, by Houston, Austin, and San Antonio.

Texas is a leading location for data centers for a number of reasons, including its central location, abundant network bandwidth, reliable energy grid, available and affordable space, and low probability of natural disasters. These factors, as well as tailored tax incentives (see page 7), allow data centers to operate efficiently and reliably in Texas.

➔ ACTIVE Network relocates HQ to Dallas, hiring 1,000 see page 7

Big Stories in Texas Data Centers

1 Patronus Data Centers Invests \$250 million in data center campus in Frisco

In July 2014, Patronus Data Centers announced plans to build a four-building data center campus on a 35-acre site for over \$250 million in Frisco, north of Dallas. The Frisco-based data center development company was founded in 2013 with a seasoned management team composed of former



executives from Digital Realty Trust and Cyrus.



Patronus Data Centers' new Frisco project

2 Microsoft Plans \$80 million data center in San Antonio

Software giant Microsoft filed plans for a new \$80 million data center in San Antonio in February 2014. The facility should be completed in 2015.



3 Novartis Plans to build \$35 million global data center in Fort Worth

Swiss multinational pharmaceutical giant Novartis, which owns Alcon Labs, announced plans in July 2014 to build a \$35 million global data center on Alcon's campus in Fort Worth to serve the company's North and South American operations.



4 Data Foundry Plans to build \$35 million data center in Houston

Austin-based Data Foundry, a global provider of wholesale data center outsourcing and related services, announced plans in April 2014 for a 350,000 sq. ft., \$35 million data center in Houston. The facility should be completed by mid-2015.



Data Foundry's Austin facility

Major Companies

Top Cloud Services & Data Center Companies with Operations in Texas

By Global Revenue in 2014

Company Name (Subsidiary)	Primary Location(s)	Sector	Total Sales (Millions)
AT&T	Dallas, Austin	Hosting & cloud services	\$132,447
Verizon Communications (Terremark Worldwide)	Irving	Data centers	\$127,079
NTT Group (Verio Inc.)	Dallas	Web hosting	\$112,000
Hewlett-Packard	Austin, Plano	Hosting & data centers	\$111,454
IBM	Austin, Dallas, Houston	Hosting & data processing	\$92,793
Microsoft	San Antonio	Enterprise data center	\$86,833
Dell	Round Rock	Hosting & data centers	\$57,200*
Cisco Systems	Allen, Richardson	Data centers	\$47,142
Amazon.com	Dallas/Fort Worth	Enterprise data center	\$46,988
Fujitsu Ltd.	Richardson	Data centers	\$46,219*
Xerox (Affiliated Computer Services)	Dallas	Hosting	\$19,540
CenturyLink (SAVVIS)	Dallas	Data center & Internet services	\$18,031
Computer Sciences Corp., aka CSC	Austin, Dallas, Houston	Cloud services, data centers, & Internet services	\$12,998
ADP	El Paso, Dallas, etc.	Data processing	\$12,206
Level 3 Communications (ComCept)	Dallas, Houston, Rockwall	Data centers, hosting & Internet services	\$6,313*
Equinix	Dallas	Data centers & Internet services	\$2,152
Rackspace Hosting	San Antonio, Dallas	Hosting & data centers	\$1,794
XO Holdings	Austin, Dallas, Houston	Hosting & Internet services	\$1,530*
SunGard Availability Services	Austin, Dallas, Houston	Data centers	\$1,400*
Cincinnati Bell (CyrusOne)	Carrollton, Houston, Austin, etc.	Hosting & data centers	\$1,278

Top 5:



*2013 revenues

Representative sample only Sources: D&B, company websites

Video & Online Games



Texas is home to over 180 video game software companies that employ nearly 5,500 professionals, according to the Texas Film Commission (TFC). Video game production is a niche category of the software publishing sector, which altogether accounts for 9 percent of the state’s IT services employment. Since the 2008-2009 biennium, the TFC has awarded over \$28.5 million in video game incentives to create over 4,200 new jobs (see table below). Major TFC video game incentive

recipients include industry giant **Electronic Arts**, which has a major presence in Austin, Texas, where its **BioWare Austin** studio, IT operations, and Worldwide Customer Experience Center are located (see table below). See page 6 for more details on Texas’ video game industry incentives.

Video and online gaming has become a major part of the state’s software publishing segment and entertainment industry. In fact, the latest data from the Entertainment Software Association (ESA), a national industry group, indicates that Texas ranks No. 2 nationally for entertainment software industry employment, with 17,878 direct and indirect employees in 2013. This represents 49 percent statewide employment growth since 2009, when Texas passed its digital production tax credit. Nationwide, the ESA estimates that the rapidly growing U.S. video game industry added over \$6.2 billion to the American economy in 2012.

Texas ranks No. 2
in the U.S. for
entertainment
software jobs

Texas Video Game Incentives 2008 to 2015*			
Biennium Years	Company Applications	Full Time Equivalent Jobs	Grant Amounts
2008-2009	26	528	\$913,461
2010-2011	37	1,247	\$5,258,234
2012-2013	47	1,138	\$5,373,607
2014-2015*	38	1,302	\$16,980,721
TOTAL	148	4,215	\$28,526,023

*As of February 28, 2015

Source: Texas Film Commission

Top Texas Video Game Incentive Recipients In Alphabetical Order
Aspyr Media
Certain Affinity
Challenge Online Games
Electronic Arts
Red Fly Studio

Source: Texas Film Commission

Wargaming Expands in Austin

In August 2013, California-based **Wargaming**, an award-winning online game developer and publisher, opened an office in Austin, Texas. **Wargaming Austin** is a global service hub for the company, focused on analytics.



WARGAMING.NET
LET'S BATTLE

Wargaming is known for its team-based massively multiplayer online (MMO) games, including the

popular *World of Tanks* and *World of Warplanes*. The company is an industry leader in the free-to-play MMO market.



North Texas Becomes Major Player in the Video Gaming Industry

Texas is home to a large cluster of video gaming companies, particularly in Austin and increasingly in North Texas, fueled by the 2013 closure of gaming

giant Zynga's Dallas office. Some leading firms located in this regional cluster are highlighted below.



Garland— PC shareware gaming industry pioneer



Richardson— independent video game developer



Carrollton— multichannel video games



Plano— independent video game developer



Plano— interactive video games



Dallas— independent video game developer



Richardson— PC first-person shooter gaming industry pioneer



Plano— independent video game developer



Denton— independent video game development



Bedford— multiplatform video game developer

Major Companies

Top Video & Online Game Companies with Operations in Texas

By Global Revenue in 2014

Company Name	Primary Location(s)	Texas Subsidiaries	Total Sales (Million)
Microsoft	Austin	Microsoft Studios, Twisted Pixel Games	\$86,833
Sony	Austin	Sony Online Entertainment	\$75,381
Nintendo	Austin	Retro Studios	\$5,548
Activision Blizzard	Austin, Dallas	—	\$4,583*
Electronic Arts (EA)	Austin	Bioware, EA Sports, Pogo Adventures	\$3,575
Zynga	Austin	—	\$873*
NCSOFT	Austin	—	\$706*
Crytek GmbH	Austin	Crytek USA	\$65*
Trion Worlds	Austin	—	\$56*
ZeniMax Media	Austin, Richardson	Battlecry Studios, Arkane Studios, id Software	\$24*

*2013 or earlier revenues

Representative samples only Sources: Dun & Bradstreet, company websites

Top 5:

Microsoft

SONY

Nintendo®

**ACTIVISION
BLIZZARD**



Texas' Video Game Dominance on Display at SXSW Gaming Expo

Since 1993, Austin, Texas, has hosted the annual South by Southwest (SXSW) Interactive Festival, a seminal industry event showcasing emerging multimedia technologies and the growing prominence of the Texas gaming, software, and social media industries.

SXSW Gaming represents the fast-growing video game

component of SXSW Interactive. Drawing developers, manufacturers, and fans from the global gaming community, the event provides a free space for gaming startups to display or launch their products to the gaming public, as well as network with industry professionals.



Online Services



Texas’ strength in the online services sector, which includes Internet publishing, broadcasting, retail, and more, is a natural extension of the state’s long-time dominance in software development and other IT sectors. An existing, experienced workforce has combined with a culture of entrepreneurship to fuel Austin, Dallas, and other Texas cities

as hubs of rapidly expanding online and mobile startups.

Additionally, some of the sector’s biggest corporate names have invested in Texas offices during the past five years, including **eBay**, **Facebook**, and **Google**. In March 2015, leading online services provider Google leased 200,000 sq. ft. of office space in Austin, to consolidate area employees, in addition to an existing

Texas ranks No. 2 in the U.S. for Internet services employment
-CompTIA, 2015

Frisco office opened in 2012. In 2011, online marketplace provider eBay announced plans to hire more than 1,000 new workers to support **PayPal** and other company units at its north Austin facility. One year earlier, social networking giant Facebook announced its new downtown Austin office, which now employs over 250 in an array of corporate functions.

AT&T Plans Purchase of DirecTV to Enter Satellite TV Market, Enhance Online Services

In May 2014, Dallas, Texas-based AT&T announced plans to purchase California-based DirecTV in an estimated \$50 billion deal. When approved by regulators, which is expected sometime later this year, the merged company will become a leading content provider across mobile, video, and broadband channels. AT&T will be able to offer more online services, specifically a “triple play” of phone, Internet, and video service.

DirecTV is the second leading satellite television provider in the U.S. and Latin America, with roughly 20 million nationwide customers, while AT&T has roughly 6 million customers for its landline-based TV business, U-verse.

AT&T is a leading communications company and the nation’s largest wireline voice communications service provider, as well as one of the nation’s largest mobile carriers. It sells everything from telephones to TV services to Internet services. AT&T currently offers a number of online services, including online data storage, ISP services, enterprise hosting, and cloud-based services.



ONLINE SERVICES

Google Fiber Goes Live in Austin

In April 2013, Fortune 500 company **Google** announced that Austin would be the second U.S. metro area to launch **Google Fiber**, the company's ultra-high speed fiber network service. Google began connecting Austin customers in 2014 and the service went live in several South Austin neighborhoods beginning in January 2015.

California-based Google is one of the world's leading Internet services and products companies.



Yodle Expands in Austin

In October 2014, New York-based **Yodle Inc.**, an online marketing firm, announced plans to expand its Austin office from 550 to 800 employees in the next few years. The company initially opened its current 100,000 sq. ft. Austin office in September 2012 with 375 employees. They had previously been in three separate locations since 2011, when Yodle acquired Austin-based ProfitFuel.

Yodle is the No. 1 independent provider of online marketing services to over 45,000 local U.S. businesses in 250 industries.



Major Online Services Companies Headquartered in Texas



Major Companies

Top Online Services Companies with Operations in Texas

By Global Revenue in 2014

Company Name (Subsidiary)	Primary Location(s)	Sector	Total Sales (Millions)
AT&T	Dallas, Austin	Online services	\$132,447
Amazon.com	Coppell, Haslet, Schertz	E-commerce	\$88,988
Google	Austin, Frisco	Web search and other online services	\$66,001
eBay (PayPal)	Austin	E-commerce	\$17,902
Facebook	Austin	Online social network	\$12,466
Reed Elsevier (LexisNexis)	Houston	Online information services	\$9,950*
Expedia (Hotels.com)	Dallas	Online travel services	\$5,763.5
Yahoo!	Richardson	Web search & online publisher	\$4,618
Sabre Co. (Travelocity)	Southlake	Online travel services	\$3,049.5*
IAC/InteractiveCorp (Match.com, Chemistry.com)	Dallas	Online dating services	\$3,022.9*
Dun & Bradstreet (Hoover's)	Austin	Online information services	\$1,682
Dex Media (Superpages.com)	Dallas	Online information services	\$1,444*
Bankrate (Creditcards.com)	Austin	Online information services	\$457.4*
Yelp	Austin	Web search and other online services	\$377.5
HomeAway	Austin	Online travel services	\$346.8*

Top 5:



*2013 or earlier revenues

Representative samples only Sources: Dun & Bradstreet, company websites

IT Services Across Industries

While information technology workers are concentrated in traditional sectors such as software and computer system design, these skilled professionals are also employed across a range of industries, from energy to financial services to health care.

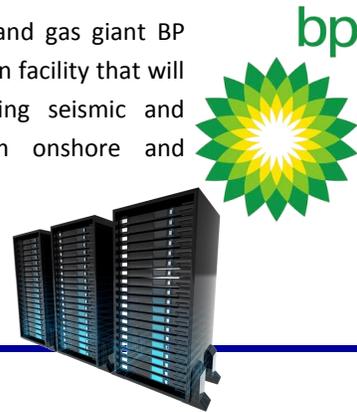
The profiles below provide a brief overview of a selection of non-traditional industry sectors and include recent examples of significant IT services developments.

ENERGY

This sector includes companies that develop oil and gas field properties, provide oil field support services, and generate and distribute electricity. Companies operating in this sector are increasingly using sophisticated computers and IT services to analyze energy-related data in order to streamline processes and maximize profits.

Energy Giant BP Opens Massive Texas Data Center

In December 2012, British oil and gas giant BP began construction on a Houston facility that will house supercomputers analyzing seismic and geologic data gathered from onshore and offshore sites across the world. The data center opened in December 2013.



FINANCE SERVICES

Financial services encompass many aspects of money management, including banking, insurance, credit, and investments. Texas has one of the largest financial workforces in the country, particularly specialized in consumer lending and property insurance. A significant percentage of the workers in this technology-dependent industry are in IT jobs.

Barclays Plans New Global Tech Center in Texas

UK-based **Barclays Bank**, an international banking and financial services company, announced plans in August 2014 for a new global technology center in McKinney. The bank expects to hire approximately 500 within the next three years to staff the 40,000+ sq. ft. facility.



Barclay's McKinney facility



HEALTHCARE

Healthcare operations increasingly require information technology to improve efficiency, flexibility, responsiveness, and to provide better outcomes for patients and health providers. A significant number of IT professionals in the Texas healthcare sector are employed by companies specializing in healthcare e-services.

Two Health e-Service Companies Expand in Texas

In January 2014, Massachusetts-based healthcare IT company **athenahealth** announced plans for a major new office in Austin, which is expected to eventually employ more than 600 workers. The company's Austin investment will total approximately \$13 million. The first 70 company employees moved into the Austin office in February 2015.



In March 2014, Texas-based **Conifer Health Solutions**, a health e-services company and subsidiary of Dallas-based Tenet Healthcare, opened its new Frisco, Texas headquarters and announced plans to add an additional 500 jobs.



TRANSPORTATION AND LOGISTICS

The transportation and logistics sector includes trucking, aerospace, railroads, and shipping. Enormous amounts of goods and people are moved around the globe by various means, requiring increasingly sophisticated and growing IT services and products.

Omnitracs Moves HQ to Dallas

California-based Omnitracs, which provides fleet management solutions for the trucking industry, announced plans in July 2014 to move its headquarters from San Diego to Dallas, creating 450 jobs with \$10 million in capital investment. Since then, the company has moved its headquarters into offices in the KPMG Centre in downtown Dallas.

Omnitracs received \$3.9 million from the Texas Enterprise Fund to close the deal.



Appendix: IT-Related Texas Emerging Technology Fund Awards

Company/Entity	City	Project Description	Funding (Thousands)
2Cimple	Plano	Interactive online video system software	\$1,500
Analogix Development	Austin	3D movement-based game controller technology	\$250
Ayata	Austin	Predictive Decision Management software	\$1,600
Bauhaus Software	San Antonio	Digital 2D animation software solution	\$500
Biometric Signature ID	Dallas	Biometric software for identity verification	\$550
Biscotti	Allen	Networking technology for high-definition video	\$1,000
Bynari	Irving	Messaging and email integration software	\$1,500
Codekko	Plano	Network optimization software solution	\$1,500
DeviceFidelity	Richardson	Hardware-software applications for mobile devices	\$3,000
Enthuze	San Antonio	Software-based consumer research and social networking	\$1,650
Image Trends	Austin	Improved digital imagery software	\$1,000
iLearning Gateway	Dallas	TeachingBOT tutoring software	\$1,000
Interoperate.biz	Plano	Rapid computer language translation software	\$1,000
Iridescent Networks	Frisco	Software for video delivery over the Internet	\$1,000
Merkatum	Austin	Biometric and biographic identity resolution software	\$1,000
Modria	Irving	Supply chain management software	\$500
Net Watch Solutions	Richardson	Software for infrastructure management	\$500
Net.Orange	Dallas	Clinical Pathways Management software for health care	\$1,900
Qcue	Austin	Dynamic pricing software solution	\$1,000
PrincipleSoft	Plano	Bandwidth enhancement software for network applications	\$750
SecureOrigins	El Paso	Logistics and supply chain software security system	\$2,000
Smart Imaging Tech.	Houston	Water borne pathogens analysis hardware/software system	\$1,000
SNRLabs	Richardson	Handset-laptop convergence software	\$750
Varaha Systems	Dallas	uMobility software fixed-mobile convergence solution	\$1,500
Veros Systems	College Station	Asset management software solutions	\$1,500
The University of Texas at San Antonio (UTSA)	San Antonio	Recruitment of Dr. Ravi Sandhu as founding director of UTSA's Institute for Cyber Security Research (ICSR)	\$3,694
TOTAL			\$33,144

Source: Texas Office of the Governor



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