



First Report to the DOGE Committee

Summary:

For this first report, we have identified **\$200,000,000 in purely wasteful spending** that could be cut without question. Note that this is a small portion of our findings.

The other expenses that we flag here are highly suspicious and will require the committee to use its powers to compel testimony and document production to fully resolve. There are two possible outcomes for these items; they may either be cut outright or massively cut by increasing efficiency. These items total **billions of dollars of annual savings**.

The expenditures were chosen to maximize savings to the State while minimizing the impact on important services provided by the State. By implementing the recommendations in this report, the State would create no negative impact on important functions. In fact, the efficiency of these programs would increase.

The vast majority of these expenditures come from consultancy contracts which we believe, in agreement with the Sunset Commission's DIR Report, are largely unnecessary. While we agree that some private outsourcing is recommended to allow the private sector to perform work more efficiently than the government could, current consultancy contracts go far beyond this. By cutting the consultancy contracts, consolidating the contract functions within existing state agencies, and rolling a portion of those contract expenditures into increased staff for the agencies to perform the function, the state can save billions of dollars.

This is the first report we're offering to the committee, but it will not be the last. We intend to assist the committee in taking full advantage of this great opportunity.

Methodology:

All data found in this report are either from the Comptroller's revenue and expenditures database or from grants and contracts with state agencies listed on the Comptroller's website.

Many of these problem expenditures can be isolated by applying the right filters on the Comptroller's database. For the Committee's convenience, we are happy to provide Excel files containing the specific data used in this report.

We see three main subjects of interest for the committee and the report is laid out in this order:

- 1) **Wasteful grants and spending.** These are more straightforward expenditures of taxpayer dollars which we believe can be cut without much investigation.
- 2) **Suspicious spending and contracts.** Whether or not these expenditures are found to be wasteful spending, they are opaque and suspicious enough that we believe that the committee should use its power to compel the production of documents and testimony from state officers to get to the bottom of the expenditures. Cuts and optimizations can be found in these expenses.
- 3) **Policy improvements.** These are the most difficult because the filing deadline for new legislation is quickly approaching. To make this report as thorough a resource for the Committee as possible, we will include them at the bottom of the report.

Wasteful Grants and Spending

The current total of the below **not including IT, consulting, or questionable expenses** is \$200,000,000.

Permanent School Fund (\$8.7 million)

- Out of State and Foreign Travel (\$300k for FY24/25)
- Conference Registration for Employees (\$173k for FY24/25)
- IT Consulting Services (\$1.5 million for FY24/25)
- Accounting Services (\$1.75 million for FY24/25)
- Legal Services (\$5 million for FY24/25)

This is \$8.7 million in potentially wasteful or redundant spending JUST within the PSF. PSF funds should be benefiting our students, so it is important to achieve efficiency here. None of these cuts would affect the service provided by the PSF in any way.

Boards and Commissions Travel Expenditures (\$1.6 million)

- \$111k is for out-of-state travel.
- These meetings could be done virtually to avoid travel costs.

Teacher's Retirement System (\$17.5 million):

Waste here directly affects teacher retirement by lowering the dollars that could be invested.

- Foreign Travel (\$430k for FY24/25)
- Out-of-State Travel (\$1.4 million for FY24/25)
- Conference Registration Fees (\$530k for FY24/25)
- IT Consulting (\$1.5 million for FY24/25)
- Consultant Services - Other (\$4.7 million for FY24/25)
- Accounting Services (\$3.6 million for FY24/25)
- Legal Services (\$1 million for FY24/25)
- Investment Counseling Services (\$4.3 million for FY24/25)

Note: this amounts to \$17.5 million in potentially wasteful or redundant spending JUST within TRS. Other small expenditures could be scrutinized, but we are beginning with the largest possible targets.

Employees Retirement System of Texas (\$48.9 million for FY24/25)

- Foreign Travel (\$300k for FY24/25)
 - **Spent out of the Retirement System Trust Fund!**
- Out-of-State Travel (\$470k for FY24/25)
- Conference Registration Fees (\$333k for FY24/25)
- Consultant Services - Other (\$1.8 million for FY24/25)
- IT Consulting (\$382k for FY24/25)
- Accounting Services (\$1.8 million for FY24/25)
- Other Professional Services (\$2.6 million for FY24/25)
- Investment Counseling Services (\$5.1 million for FY24/25)
- Legal Services (\$1.2 million for FY24/25)
- IT + Communication Services (\$29 million for FY24/25)
 - Could be significantly streamlined through DIR
- Purchased Contracted Services (\$5.3 million for FY24/25)
- Subscriptions and Periodicals (\$500k for FY24/25)
- Long Distance Phone Charges (\$120k for FY24/25)

Waste from ERS directly affects the retirement of our state employees. While some of the IT charges won't be entirely eliminated, those charges can be streamlined through DIR. It is particularly egregious that some expenses, like the Foreign Travel expense, are being spent out of the Employee Retirement System Trust Fund.

Interest on Late Payments (\$5 million)

For FY24 and 25 combined, the State of Texas has already spent over \$5 million on Object Code 7806 - Interest on Delayed Payments. For the last ten years combined, this number is over \$20 million. This means the problem is getting worse.

For FY24/25, the largest offenders are:

- TxDOT: \$1,173,566
- HHSC: \$1,084,112
- GLO: \$592,431
- TMD: \$392,360
- DFPS: \$392,136
- TX Facilities Commission: \$368,703
- DPS: \$219,377
- TCEQ: \$147,953

Broadband Infrastructure Fund (\$9 million)

Of every expenditure ever made out of the Texas Broadband Infrastructure Fund, 100% of funds have gone to one of two categories:

- 1) Consultant fees
- 2) Interest on Delayed Payments

There are only expenditures from this account for FY25. Expenditures from this account total nearly \$9 million. These are wasted funds.

Lottery Incentive Bonus (\$60 million)

The State pays “incentive bonuses” to lottery retailers for achieving certain lottery sales volumes. To date for FY24/25, the State has spent \$53 million on these lottery incentive bonuses, with over \$16 million in FY25 alone. In the last 10 years, the State has spent nearly a quarter billion dollars on them.

Given the current Lottery Commission scandal, it is reasonable to think that the entities purchasing lottery tickets en masse could have chosen particular retailers for purchase, ensuring that they received the lucrative incentive bonus. However, the public can’t determine that, because the vast majority of incentive expenditures are routed through “Bank One.” (Interesting note here, sales locations with the highest revenue are consistently locations that “ticket couriers” purchase their tickets through. See TLC Sunset Report)

Commission on the Arts (\$15 million)

The Commission spends roughly \$15 million per year. The vast majority of the funds go to grants. Many of these grants - especially the large ones - go to leftist DEI organizations and should be cut. For example, from FY25 only:

- Denton Black Film Festival Institute: \$20,000
- Fade to Black Arts Festival: \$30,000
- Dallas Black Dance Theatre: \$46,000
- Austin Gay Men’s Chorus: \$11,000

Consulting Contracts + IT (\$2.7 billion)

Per the Sunset Commission’s Report on DIR, there is a massive overspending problem of overlapping consulting contracts. Various state agencies will spend 7 figures on consulting contracts for general consulting, IT consulting, legal services, and accounting services. Each of these should be centralized and managed by the service’s corresponding agencies. Even if that means those agencies must hire more staff, the net effect of canceling the consulting contracts will be billions of dollars saved per year. A few examples:

- Accenture Consulting receives between **\$1-\$2 billion per year** from the State
- Deloitte Consulting receives roughly **\$150-\$300 million per year**.
- State agencies spend **\$25-\$40 million per year** on Computer Consulting. This could be centralized in DIR with increased staff for 10% of the cost.
- The state spends between **\$60-\$80 million per year** on “Financial and Accounting Services.” For a fraction of the cost and no overhead, the State could appropriate

millions to the Comptroller to increase services to state agencies, while still saving taxpayers tens of millions per year.

- **\$150 million per year** is spent on the Family Planning Services Program, which is largely free distribution of contraception. Much of this is paid directly to Accenture. For Catholics (roughly 25% of the population) this is morally problematic. For fiscal conservatives, this is not the job of the state.

Various Expenditures

- \$11 million on “long-distance telecommunications”
- Film Leases for Avengers, Frozen 2, etc (approx. \$200k each)
- Subscriptions & Periodicals: \$21 million for FY24/25
 - Including \$30k per year to left-wing Quorum Report
- Conference Registration Fees (\$15 million for FY24/25, just out of General Revenue)

Suspicious Spending and Contracts

Hazardous Duty Pay (\$591,416)

Much of the hazardous duty pay makes sense: TDCJ, DPS, etc. However, there’s a slew of Hazardous Duty payments that are questionable, and at the very least need to be investigated by the committee, because you have the power to do so. Note that all payees are marked confidential. Large examples below:

- FY24/25: Angelo State University: \$26,230
- Comptroller: \$33,698
- TABC: \$227,303
- Texas State University: \$34,597
- UT Dallas: \$38,170
- UT Health Science San Antonio: \$51,877
- UNT: \$77,624
- Texas A&M: \$101,917

Texas Commission on Uniform State Laws (\$150,000)

The Commission (TCUSL) spends \$150k per year, entirely on travel to a national conference and membership dues to that conference. For FY25, the travel payments are largely made to former parliamentarian Hugh Brady. \$117,000 of the funds are given as membership dues to the Uniform Laws Commission (ULC) - this is troubling and requires further investigation because its Form 990 for the ULC claims that they receive roughly \$100k per year in membership dues.

This spending appears to be largely wasteful. It should also be noted that the Budget gives the Commission authority to spend these funds under Government Code Chapter 762, which doesn't exist. Ironic, given the nature of the commission.

Large Emolument Expenditures (\$5.8 million)

Some emolument expenditures are large and recurring, which we believe warrant investigation. The Comptroller has a plethora of object codes for various salaries, expenses, and reimbursements, limiting the purpose of the emolument code.

- HHSC has a monthly \$2.3 million emolument payment to a Confidential payee.
- Texas PSF Corporation has a \$3.5 million Confidential emolument payment on 11/12/24.

Unexpended Cash Balance Forwards (\$26 billion)

For FY24 and 25, the State has a total of \$26 billion in unexpended cash balance forwards. While there may be a justification for some of this (long-term projects, etc), our concern is that our state agencies are being over-funded by tens of billions of dollars per biennium. If a representative examined the Budget, this may not be caught. This is because the object code is listed as an expenditure, meaning it might appear at first glance that there is no overfunding. This expense category is massive and opaque - the committee should investigate thoroughly to find any waste or inefficiency that may be present.

Policy Recommendations

- The State should prohibit contracts from going to companies that promote DEI. For example, the State gives billions per year to Accenture, which heavily promotes DEI and implements DEI in its practices.
- DIR should take the reins of software procurement. Agencies regularly engage in multi-million dollar contracts specifically for software procurement and licensing. This results in systemic overhead waste.
- As a policy, the state should shift toward hiring valuable, competitively-paid employees that eliminate the need for outsourcing legal, accounting, and IT services. These currently outsourced services should be centralized for greater efficiency, coordination, and knowledge base consistency, per the Sunset Commission's DIR Report.
- While a small amount, HHSC does still give funds to Planned Parenthood. This should end.
- State agencies should be required to replace any fax machines with more secure, cheaper, and reliable technology.
- Texas should end the Historically Underutilized Business (HUB) Program, which is DEI directly from the State government. By refusing to engage in meritocratic contracting, the State's contracting policy is wildly inefficient.