TEXAS POLICY RESEARCH

August 19th, 2026

Chairman Capriglione and Members
House Committee on Delivery of Government Efficiency
Texas House of Representatives

RE: Written Testimony on Preventing Fraud, Waste, and Abuse

Chairman Capriglione and Members of the Committee,

Thank you for the opportunity to provide comments regarding the use of technology, including artificial intelligence, to detect fraud, waste, and abuse of taxpayer resources.

Texans rightly expect government to be a responsible steward of public funds. Every dollar lost to fraud, inefficient administration, duplicative programs, or poor contract oversight is a dollar unavailable for core governmental functions or left in the hands of taxpayers. Technology offers meaningful opportunities to strengthen accountability, provided it is implemented with appropriate safeguards and remains subordinate to constitutional principles. Artificial intelligence can significantly improve government's ability to identify anomalies that warrant human review. AI systems can rapidly analyze procurement records, payment histories, contract performance, grant distributions, duplicate invoices, eligibility data, and other large datasets to identify patterns that traditional auditing methods may overlook. Used appropriately, these tools can improve the efficiency of inspectors general, auditors, investigators, and agency management without expanding the size of government.

Technology should also strengthen oversight of state contracting. Texas Policy Research recently analyzed the Legislative Budget Board's Contracts Database, examining more than 235,000 contract records representing over $510 billion in reported value across fiscal years 2013 through 2025. Awards made without competitive procurement account for roughly 37 percent of all contracts over that period.

That analysis also surfaced something the Committee may find more instructive than any percentage. A routine variance check identified individual contract records whose reported values differ by three or more orders of magnitude from the same agencies' prior agreements for the same service. Texas Policy Research is not in a position to determine whether those figures reflect reporting errors, legitimate changes in scope, or reporting conventions we are unaware of, and we draw no conclusion about any particular record. The relevant point for this Committee is not the disposition of any one contract. It is that a comparison of this kind, run against data the state already publishes, surfaces records worth a second look, and that no such comparison appears to be running as a matter of routine.

At this Committee's counterpart hearing before the Senate Finance Committee on July 28, Legislative Budget Board staff described the Contracts Oversight Team, which oversees the Contracts Database of over 265,000 publicly available contracts, reviews contracts over $1.0 million, compiles quarterly reports on contracts that have increased in value by ten percent or more, and publishes an annual report on every state entity's compliance with procurement rules. That same presentation noted that non-competitive contracts over $1,000,000 require attestation letters under the Government Code and the General Appropriations Act. The reporting architecture, in other words, is already extensive.

The Legislature has also committed real resources to this work. The same presentation reported approximately $234.1 million appropriated for the 2026-27 biennium to support independent Offices of Inspector General at four agencies, and $49.8 million to the Office of the Attorney General for Medicaid benefit oversight. Audit and fiscal oversight functions at the Comptroller, the State Auditor's Office, and the Legislative Budget Board receive an additional $386 million, and while the Legislative Budget Board correctly notes those functions are not specific to fraud, waste, and abuse, they represent substantial analytical capacity already funded by Texas taxpayers.

The gap, therefore, is not authority, funding, or data. Texas has all three. What appears to be missing is the routine, automated application of basic analysis to information the state already collects and already publishes. Comparing a contract's reported value against the same agency's prior award for the same service requires no artificial intelligence at all. It requires a scheduled query. Our analysis required no new statutory authority and no new data collection, and it relied entirely on a public download. If a small organization can surface questions worth asking from public records, the entities the Legislature funds to perform this work can do considerably more with the data they already hold. AI-assisted analytics applied to those same records can identify cost overruns, duplicate payments, unusual bidding patterns, vendor concentration, and contract modifications that deserve additional scrutiny, allowing oversight resources to be directed where risk is greatest rather than relying solely on random audits.

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However, technology must remain a tool for investigation rather than an independent decision-maker. AI-generated findings should never be treated as conclusive evidence of fraud or used to deny benefits, impose penalties, terminate contracts, or initiate enforcement actions without meaningful human review and appropriate due process. Government accountability must never come at the expense of constitutional protections. The Legislature should likewise avoid creating centralized surveillance systems under the banner of fraud prevention. Data collection should remain limited to information necessary for legitimate governmental purposes, with clear policies governing retention, access, sharing, cybersecurity, and public transparency. Public trust depends upon both effective oversight and responsible stewardship of sensitive information.

Texas Policy Research also encourages lawmakers to remember that preventing waste is broader than detecting fraud. Some of the greatest opportunities for savings come from identifying obsolete programs, unnecessary regulations, duplicative reporting requirements, and administrative inefficiencies before taxpayer dollars are spent. This Committee's oversight of the Sunset Advisory Commission is directly relevant. Sunset review already asks whether a program should continue to exist, and applying analytics to program performance, duplication across agencies, and administrative cost would strengthen that review considerably. Technology can help identify these opportunities, but policymakers must remain willing to eliminate programs and processes that no longer serve the public interest.

Our Texas Liberty Compact recognizes that accountable government depends upon transparency, limited government, and responsible stewardship of taxpayer resources. Technology should support these principles by helping government operate more efficiently while respecting privacy, due process, and individual liberty.

As the Committee develops recommendations for the 90th Legislature, Texas Policy Research respectfully encourages three specific steps. First, direct the Legislative Budget Board, working with the State Auditor's Office and agency inspectors general as appropriate, to conduct routine automated exception screening of the contract data it already collects, including value anomalies, variances against prior awards for the same service, duplicate awards, unusual vendor concentration, and amendments that materially exceed original contract values, and to publish the results on a recurring basis. Second, establish clear standards requiring meaningful human review and due process before any automated or AI-generated finding results in adverse action against an individual or a vendor. Third, measure the performance of oversight offices by reductions in waste actually achieved and errors actually corrected, rather than by activities undertaken or dollars recovered after the fact. Texas has an opportunity to become a national leader in responsible government innovation by demonstrating that technology can improve accountability without compromising the liberties it exists to protect.

Thank you for your consideration.

For Liberty, For Texas!

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