

Charles Kuffner

I'm speaking today with State Senator Sarah Eckhardt, who is the Democratic candidate for Comptroller in the state of Texas. Senator, thank you very much for speaking with me today. Let me start by asking why you're running for this office.

Sarah Eckhardt

Well, I'm running for this office. I'd like to say I'm running for this office because I'm having such a great time traveling all over the state and getting to hear from people about what their real concerns are. The big reason why I'm running is because we really need to have a watchdog over our state dollars.

We really just cannot afford to have these lapdogs for the rich and powerful any longer. We've had 30 years of one-party rule. And to be frank, one-party rule is not good for us, whether it's Republican or Democrat. One-party rule has a tendency to breed inefficiency, at least, if not corruption. And I think that we are in the corruption phase of this one-party rule.

Charles Kuffner

Okay. Now, early on in this cycle, there was some talk about you maybe running for Congress in District 10. What swayed you from that race to this one?

Sarah Eckhardt

I'll tell you, the District 10 race was really an emotional response for me. I've been a resident of Austin and Travis County for 30 years. My dad was born there in 1913, and the idea that they were carving us up once again and had carved my house into a district that went all the way to Lake Livingston.

My house was like this little wart on the tip of a toe of this bizarre district that went all the way to Lake Livingston, and my emotional response to it was, fine, you draw me into that district, I'll run in that district. And so my outrage at what is going on in our country started there. But once my emotions cooled a bit, I thought, where could I have the most impact? I have been a local government and a state government person my entire career, and I have deep knowledge in tax policy, and I thought that I could actually be more advantageous running for comptroller.

Charles Kuffner

Okay. Well, you are in your third term as state senator, and you served as Travis County Commissioner and Travis County Judge before that. Let me ask you, in that time, what would you say are your main accomplishments, things you're most proud of from those two different times in your service?

Sarah Eckhardt

I think what I'm most proud of in my role with the county, and I was with the county either as an assistant county attorney or a member of the Commissioner's Court for nearly 20 years, and I think what I'm most proud of as a county judge there was that we were able to cut the property taxes three times and hold the average tax bill for Travis County residents virtually flat the entire time I was county judge.

And even though we were cutting the tax rate and cutting the average tax bill or keeping it flat, we were also able to deliver crucial services and even expand crucial services. We built a new courthouse during that time period, brought it in on time and under budget. We pulled up a public defender's office during that time period through good fiscal management and good planning. I think what I'm most proud of in my years in the Senate, working in Dan Patrick's Senate is a very difficult place to actually produce real results.

We waste so much time passing legislation, telling people what to think, where to pee, and how to pray. And we don't spend nearly enough time on issues of water availability, flood response, emergency management, the grid, grid stabilization, and we hardly ever analyze who's actually still paying taxes. The people who still are paying taxes are just sagging under the weight, while a tremendous amount of our taxable value in the state of Texas goes untaxed because of corporate, you know, corporate sweetheart deals and no-bid contracts that just aren't getting examined.

So I think I'm most proud of standing up and, you know, just being a tax wonk and going toe-to-toe with my Republican colleagues saying, you know, this is how the tax code actually works, y'all, and it's not working because too many people aren't paying their fair share. So the people who still are are sagging under the weight.

Charles Kuffner

Okay, well, Comptroller sounds like the right place to be for a tax wonk. So, you know, what is your high-level overview of how the Comptroller's Office works now? What are they doing well? What are they not doing so well? Where do you see opportunities for improvement?

Sarah Eckhardt

You know, I think that the Comptroller's Office was probably at its highest functioning and really, you know, was a real exemplar under Sharp. Sharp stood on the shoulders of Bob Bullock. Bob Bullock modernized the office, and then Sharp took it to its highest and best, doing performance evaluations that were not punitive, as performance evaluations were designed to look for ways we could be more efficient with the tax dollar and produce more prosperity for every Texan.

So we were probably at our height in the Comptroller's Office then. Since then, probably the best since then has been the last elected Comptroller, Glenn Hegar, and Hegar had a very capable and competent shop. My only complaint is that they hid what they knew or just didn't publicize it.

They'd publish it, it'd sit on a shelf somewhere, but they didn't amplify what they knew, and I'll give you a specific example. The Comptroller's Office was well aware that the 2013 law that gave data centers a sales tax exemption was turning into a runaway entitlement. It had gone from what was estimated to be a \$13 to \$15 million tax exemption when it was first passed to a tax exemption in the hundreds of millions by the early 2020s, and then was on a trajectory by 2024 to be in the billions.

Sure enough, here we are with the sales tax exemption to data centers that's worth \$3.2 billion over the next two years. The Comptroller's Office knew that this was happening. They saw this runaway

entitlement, and they published a report that included it, buried in a few pages back and in a big table that you had to dig around and know what you were looking for. It was there, but it just wasn't amplified.

Charles Kuffner

Let's talk about data centers as everybody else is. There is now some pushback from the people like Governor Abbott, who were the biggest proponents of data centers up until he realized that people didn't like them, on the tax issue, among other things. Do you have any specific data center policy as a Comptroller, or would you have any specific data center policy as a Comptroller, or would it be more of what would you advocate for in that office?

Sarah Eckhardt

To be clear, if some Comptroller candidate tells you that they can pass policy, they're lying to you. The Comptroller doesn't pass policy. That's for the Texas legislature.

What the Comptroller does is analyze the effects of policy that's been passed and tell the legislature and, most importantly, the people of Texas what that is costing them and what they're getting for it. What my role would be is to say this is what Texas is gaining from data centers, and this is what they're losing from data centers. This is how much it's costing us, and in what ways. This is how much it's costing us in water, in electricity. This is how much benefit we're getting from it in economic development. We have to find a balance between short-term profit and long-term community viability.

I would certainly advocate for policies that provide that kind of balance. I think as a county judge, as the chief executive of a major metropolitan county, it's not rocket science that we need a statewide policy that requires data centers, when they are coming, to bring their own energy and their own water and not export the costs of their industry onto the communities that they locate in. I think it's also imperative that those local communities are able to say whether they want them or not, and if they don't want them, they should be able to say that and make it stick.

Charles Kuffner

Well, Comptroller's Office has attempted to do some policymaking and got sued for it. The one that's most visible to me is a Houston program called the Historically Underutilized Business Program, which was essentially a way of encouraging government contracts and grants to a broader, more diverse base of businesses. It's been in place for 40-some years with no problem until after the passage of a suite of anti-DEI laws, the Comptroller took it upon himself to say, that program is illegal.

And so far, the courts have disagreed with the Comptroller's ability to say that. I think you've kind of already addressed this question, but what is your interpretation of the laws that were used by the Comptroller in this case, and do you see a place for the Comptroller to take that kind of action in other contexts?

Sarah Eckhardt

Sure. So when I was the Travis County Judge, we had an enforceable historically underutilized business program in the county. We did a disparity study on a cyclical basis to show where we had disparities, and we made sure that our entire business community had a fair shot at county contracts. And that's all it is. It's a fair shot at state contracts or county contracts or city contracts. It is not a quota system.

And it's excellent. It's an excellent program for building your homegrown pipeline so that you're not giving your contracts to out-of-state contractors. You're growing your homegrown talent pool. So it's really a great economic engine. And it was a law that's been on the books for 30 years. When acting Comptroller Kelly Hancock, who I served with in the Texas Senate, decided with the stroke of a pen to do what we would not do in the legislature, there was a bill to get rid of the HUB program, and it failed.

When Kelly Hancock took it upon himself to do what the legislature did not want to do and just get rid of the HUB program by not enforcing it, he was absolutely outside his authority, and he was breaking the law. So I and several other senators, as well as many other people across the state of Texas, worked together to find plaintiffs to sue the Comptroller's office, and that suit is ongoing. And so far, the courts have ruled in the plaintiff's favor that it was an illegal act of the Comptroller.

Charles Kuffner

So if you are elected Comptroller, would you drop or settle that lawsuit?

Sarah Eckhardt

As Comptroller, I will follow the law and I will follow the money. I am a lawyer and I have a master's in public affairs that includes tax policy and public finance. I will not break the law. I will not assume responsibilities that are actually the responsibility of the legislature. If I don't like something that the legislature is doing, for instance, I don't like the voucher program. I voted against it.

But it is the law of the land now. I will follow the law, but I will also follow the money and show who's benefiting from this voucher program most, least, or not at all. And I think we will see and already are seeing that the big beneficiaries are private schools, and also it's generating, it's inducing the creation of AI schools as well.

And for the few families that get the lucky golden ticket, I'm happy for them. But we really should not be subsidizing exclusive private schools or the expansion of AI schools. I will enforce the law, but I will follow the money.

Charles Kuffner

Yes. And in fact, I believe the Comptroller's office is calling for there to be more money spent on the voucher. So let's talk a little bit more, because I was going to ask this question anyway. You say on your website that you would want to audit this. Is there a goal going in, or are you just starting from the premise that we don't know enough about this and we need to know more?

Sarah Eckhardt

We must have an honest audit. So I don't want to put my thumb on the scale. I certainly don't want to go in saying, this is what I want this audit to prove. That's not a good audit. I want it to be an honest audit. I think that there is good reason to believe.

I think the hypothesis going in, but certainly not to put a thumb on the scale. But given the experience of voucher programs across the United States and the preliminary results that we've seen so far, it is highly probable that this will balloon into an entitlement program that we can't afford, that actually doesn't serve the population that it was purported to serve when we passed the bill. It was passed on the premise that this would be a needed help to mostly low-income families with children who had disabilities.

And the early results show that while this current batch has gone predominantly to people at lower incomes, very few of the students have disabilities. And since all of their siblings are also entitled to a voucher, fewer and fewer of the students getting this golden ticket are going to be children with any kind of disability. And over time, fewer and fewer of the households that are getting this golden ticket are going to be low-income.

Charles Kuffner

Okay. More broadly on the audit front, I feel like the heyday of audits, at least in my period of time really paying attention to state government, was when Carol Keaton Strayhorn was the comptroller, though it seemed like she was doing a lot of audits. I feel like there haven't been nearly as many since then.

What's going to be, you know, what other sorts of things do you want to do audits on? And, you know, again, is there more, I mean, beyond just trying to get the data, do you have, you know, an overarching philosophy on this?

Sarah Eckhardt

Absolutely. So you bring up Carol Keaton Strayhorn, and I want to point out that Carol came in as the first Republican in a one-party Democratic regime. So she used the power of auditing in order to raise questions that perhaps were, you know, sacred cows, right?

One of the big things that she revealed was the chaos in the foster care system. So what I would like to use the audit function for is to look at our quadrupling of no-bid contracts. Since about 2019, we've seen a quadrupling of no-bid contracts under an ongoing emergency declaration of the governor's office. And I would want to expose that. First of all, most people don't know that we've seen a very, a big increase in no-bid contracts.

But also take a look at that. Under what emergency circumstance did we need to do no-bid, no-competition contracts? And how much money are we losing, and how much efficiency are we losing for having bid specs that are designed to cater to just one business? Probably the most notable one of late was the de facto no-bid contract that went to Elon Musk's Starlink.

Charles Kuffner

Oh, tell me more.

Sarah Eckhardt

It was a \$100 million contract from federal money called the BID money, which is the broadband, BID stands for broadband. It's to extend broadband all across the state of Texas. It was a significant allocation to Texas during COVID to expand broadband across the state of Texas.

And the bid specs coming out of the comptroller's office were changed pretty far into the process. One thing people don't understand about the comptroller's office is the comptroller's office is in charge of all of our purchasing, it's a purchasing agent for all services and goods for the state of Texas. And the bid specs were changed far into the process so that Starlink was the only business that qualified. And so they received the \$100 million contract because nobody else could compete.

Charles Kuffner

Oh, I see. So this was a case where in order to make a bid, you had to be a firm like that. I see. Okay.

Sarah Eckhardt

That needs to be looked at. Hancock came out with a statutorily required report in late 2024, I believe it was, on the amount of taxable value that is rebated, abated or excused from taxation. And that's the report where it shows the exponential growth in the data center exemption, sales tax exemption.

But that wasn't the only place that we're seeing pretty significant taxable value that is not being collected. So really we need to do a deep dive on what the purposes of each of these exemptions was back when it was implemented and to see if that purpose is still being served. Because we are exempting more taxable value than we're actually collecting.

Charles Kuffner

I mean, I guess the other main function of the Comptroller's Office that I think of is revenue projections and certifying the budget. And in the revenue projections department, I feel like, Mary, they're usually pretty reasonable. There's been a couple of very notable big misses. What is your view of how well the Comptroller does in this? And do you have any plans to make changes, tweaks, whatever, in how that process is done?

Sarah Eckhardt

There have been some notable bumps in the road, but generally speaking, the Comptroller's Office has mad skill in this regard. The chief revenue estimator abruptly resigned when Huffines was appointed. But I have good knowledge of some, they have a deep bench on the revenue estimating side, and the now acting revenue estimator is excellent.

So one thing that does trouble me is Huffines has purportedly instructed the Comptroller's Office to withhold the revenue estimate from the legislature to the last possible moment. That, I think, is troubling. The Comptroller should not be in an adversarial relationship to the legislature.

The Comptroller's Office should be in full, productive partnership with the legislature. That's not to say they can't be in conflict and openly have conflicts. A good relationship can bring up conflicts and talk it through, right? But you shouldn't be hiding facts. And I am concerned with these purported statements of the Comptroller, Huffines in his role as Comptroller, that he wants to hide relevant information from the legislature until the last possible moment.

Charles Kuffner

I believe he's also talked about maybe not collecting all the taxes that we're supposed to get and possibly doing to his office what DOGE did to the federal government.

Sarah Eckhardt

He's already begun that.

Charles Kuffner

How concerned are you about that?

Sarah Eckhardt

That is deeply troubling. Huffines has fired the top watchdogs in the agency, or they have abruptly announced their retirement. So the Executive Director announced her retirement, the Chief Revenue Estimator announced his retirement.

I understand that he has fired the heads of litigation, the people with the expertise to go after corporate tax cheats have been fired, as well as the head of criminal investigations is also gone. These are, this is a brain drain of really colossal proportion. And his Chief Deputy is, normally the Chief Deputy is someone of deep expertise with lots and lots of education, skill and years of service. His Chief Deputy is a 24 year old individual, who I understand went to Texas A&M but did not graduate. And his expertise is in political communications for far right candidates.

Charles Kuffner

Yeah, I mean, I think that all speaks to a large degree, I mean, especially in the firing of people who do tax collections to the corruption angle. And, you know, corruption is something that some of your fellow candidates on the Democratic side have been talking about. And, you know, this looks like a pretty good year for Democrats.

We certainly have a great top of the ticket person in James Talarico. You know, lower profile offices like Comptroller tend to have to work with, you know, other people to get attention to their race and get their message out. How are you, you know, how is this working for you? You know, just talk a little bit about how you are working with the other people who are running to help each other get elected.

Sarah Eckhardt

Sure. I mean, we've got a dynamite ticket. I've been traveling all over the state saying, we have a clean slate that knows how to serve people. The other side has a dirty ticket that only knows how to serve

itself. Gina and James are dynamite at the top of the ticket. And then what I call the six pack, the Vikki and Nathan and myself and Ben and Jon and Clayton, we are traveling together a lot.

We're sharing expenses on things like polling. And we're having a really good time in campaigning all across the state and getting to talk to people. So we're able to fan out. The slate gets along really well. So we're able to fan out all across the state of Texas, where Clayton is maybe hitting a lot more rural territory. Vikki may be hitting a lot more suburban territory. John is hitting West Texas really hard. Ben is hitting the coastal bend and the Galveston-Fort Bend region really hard. We're able to raise awareness all across the state of Texas by fanning out and working together.

Charles Kuffner

That's great. And when you do that, when you go out and talk to the voters and you ask them to vote for you, what's your pitch? Why should voters vote for you to be Comptroller, Texas' next Comptroller when they vote, and not the third person to be in this office in the last four years, your opponent?

Sarah Eckhardt

I think that people, everybody, no matter what party they're in, they want a thriving community. They want a thriving community with good public schools. They want a home that they can afford. They want to have their hand in the prosperity of the state of Texas, something that they can build on and that they know that their kids can build on it. But we keep hearing about a Texas miracle and a rainy day fund on \$28 billion. And the real name of that fund is the Economic Stabilization Fund. And people are not feeling economically stable. They're not feeling that we've made America great again. So my pitch to folks is you want a watchdog for your money.

You want someone who's going to ask the hard questions about why you keep paying and you're getting less, while others are not paying and they're getting more. So you want a Comptroller who is going to do the deep dive, who is going to follow the law and follow the money and tell you where it's going. And I can do that for you. The other guy won't. He says he's the watchdog. He says he's going after wage fraud and abuse. And then he fires the top watchdogs in the agency and says nothing about a no-bid contract to Elon Musk or a \$3.2 billion sales tax exemption to data centers.

Charles Kuffner

All right. Senator Sarah Eckhardt, thank you very much for speaking with me today.

Sarah Eckhardt

Thanks for having me. I really appreciate it.