

US Law Week  
Jan. 30, 2025, 4:30 AM EST

# Potential DOGE Spending Cuts Open Door to Risky SEC Disclosures

---

- *Labaton attorneys assess DOGE's impact on government spending*
- *Cuts would affect public companies relying on contractors*

President Donald Trump's newly formed Department of Government Efficiency may be an unexpected catalyst for a new wave of securities litigation. Many public companies will need a plan to mitigate risks and consider how those risks affect reporting obligations to the Securities and Exchange Commission.

One of the main ways DOGE plans to "maximize governmental efficiency and productivity" is by identifying \$2 trillion worth of spending cuts, which would require curtailing or even eliminating costly government contracts with public companies.

Such cuts would damage the bottom lines of public companies that rely heavily on government contracts to drive revenues. A diverse group of industries, from aviation to health care, would feel the impact of DOGE spending cuts. Such vast spending reductions would pose serious business risks, triggering various disclosure obligations under the securities laws. Publicly traded companies need to ensure they're complying with those reporting requirements.

For example, Item 105 of Regulation S-K requires including in periodic SEC filings a “discussion of the material factors that make an investment in the registrant or offering speculative or risky.” Item 303 requires identifying “any known trends or uncertainties that have had or that are reasonably likely to have a material favorable or unfavorable impact on net sales or revenues or income from continuing operations.”

These, and other SEC disclosure obligations, almost certainly would apply to many companies with significant exposure to government contracts.

Company officers also would likely face pointed questions about their exposure to government contracts from securities analysts and the media. When responding, company officers must comply with Section 10(b) of the Securities and Exchange Act of 1934 which requires complete and accurate information when speaking on a given topic.

As with any new disclosure obligation event (such as the sub-prime mortgage crisis and the Covid-19 pandemic) DOGE's possible spending cuts likely would spark new litigation. If public companies fail to comply with DOGE-related disclosure requirements, expect a new wave of securities lawsuits aimed at holding companies accountable for failing to monitor and fully inform investors of material risks to their businesses or misleading investors about the extent of such risks.

Investors should be cautious with companies that might be harmed by potential DOGE spending cuts. Paul Atkins, Trump's nominee to chair the SEC, suggested reducing SEC enforcement actions during his term—one of the main deterrents that would encourage companies to be forthcoming about exposure to DOGE-related spending cuts.

Additionally, the US Supreme Court's recent decision in *Macquarie Infrastructure Corp. v. Moab Partners* appears to limit private civil securities fraud liability under Section 10(b) of the Securities and Exchange Act when it's based on a pure omission, even when Item 303 of Regulation S-K requires disclosure.

These factors, when combined, would create a perfect storm for companies to avoid disclosing a known material risk under Item 303—such as an overexposure to rescindable government contracts—because the SEC is unlikely to bring enforcement action, and there is no civil liability under *Macquarie* if a company remains silent.

For these reasons, investors and litigators should keep a close eye on companies that are likely to be impacted by DOGE.

*This article does not necessarily reflect the opinion of Bloomberg Industry Group, Inc., the publisher of Bloomberg Law and Bloomberg Tax, or its owners.*

#### **Author Information**

James Christie is partner at Labaton Keller Sucharow focusing on complex securities fraud cases.

Danielle Izzo is an associate at Labaton Keller Sucharow focusing on securities fraud class actions.

## Write for Us: Author Guidelines

---

To contact the editors responsible for this story: Rebecca Baker at [rbaker@bloombergindustry.com](mailto:rbaker@bloombergindustry.com); Alison Lake at [alake@bloombergindustry.com](mailto:alake@bloombergindustry.com)

© 2025 Bloomberg Industry Group, Inc. All Rights Reserved