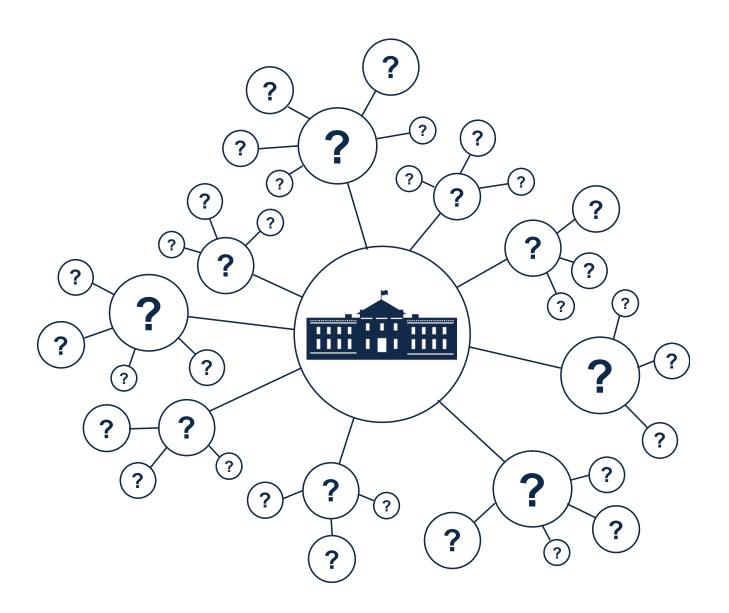


The Administration Project

24 March 2017



Special Report:

The Empty Government



About The Administration Project

The Administration Project (TAP) is Delve's on-demand research service to help subscribers understand the who, what, and when of the Administration. A standard TAP subscription includes weekly updates and insights on the Administration delivered directly to your inbox every Monday with the "On TAP" research report prepared by our team of analysts. Subscribers also receive exclusive pricing on any custom vetting and background research on any and all issues regarding the Administration. Learn more @ www.delvedc.com/the-administration-project.

About Delve

Delve provides breakthrough insights through competitive intelligence and issue management. Our clients rely on us to help them achieve an information advantage on the issues and entities they face in the political, policy, and business environments because they know being deeply informed is crucial to their success. Learn more at www.delvedc.com.

This Report has been produced by Delve, LLC for general background informational purposes only. The Report does not constitute advice on any particular investment or commercial issue or matter. No part of this Report constitutes investment or legal advice and is not to be relied upon as such. Delve, LLC hereby disclaims all warranties of any nature, express, implied or otherwise, including, without limitation, any warranties of completeness or accuracy to the fullest extent permitted by applicable laws, neither Delve, LLC nor its members, officers, directors, employees, representatives, or contractors shall be liable for any losses, expenses, or damages of any nature, including, without limitation, special, incidental, punitive, direct, indirect, or consequential damages or lost income or profits, resulting from or arising out of use of the report, whether arising in tort, contract, statute, or otherwise, even if advised of the possibility of such damages. This communication may contain information that is confidential, privileged, or otherwise protected from disclosure. If you are not an intended recipient of this communication, do not duplicate or redistribute it by any means © 2017 Delve, LLC. All Rights Reserved. No part of these materials may be reproduced or transmitted in any form or by any means, electronic, or mechanical, including but not limited to photocopy, recording, or any other information storage or retrieval system known now or in the future, without the express written permission of Delve, LLC. The unauthorized reproduction or distribution of this copyrighted work is illegal and may result in civil or criminal penalties under the U.S. Copyright Act and applicable copyright laws.



Table of Contents

Intro	oduction	4			
Picturing The Empty Government		6			
			1.	A Concerted Strategy Of Democratic Delay And Obstruction	7
			2.	An Uncommon Level Of Republican Opposition To The President's Candidacy	7
3.	A Team Of Political Outsiders Who Got Off To A Late Start	8			
4.	Business Ties Are Tripping Up Or Otherwise Delaying Nominees	8			
Effect on the Administration's Key Agenda Items		9			
1.	Obamacare Repeal and Replace	9			
2.	Tax Reform	9			
3.	Immigration	10			
4.	Infrastructure	10			
5.	Environmental Deregulation	11			
6.	Defense Build Up	11			
7.	Trade	12			
8.	Financial Deregulation	12			
How	To Handle The Uncertainty	13			



Introduction

The Trump Administration is lagging behind prior Administrations on filling key posts across virtually every agency and department of the federal government. There are several factors contributing to the slow pace of hiring, some of which are in the President's control and some that are not. However, "the <u>slowest transition</u> in decades" has already caused problems for The White House as they seek to enact the President's agenda.

Fewer Trump nominees have been <u>confirmed</u> to key posts than in the last three Administrations at this point during their terms. As of late February, the Trump Administration still <u>had</u> nearly 2,000 vacancies across the Administration, out of 4,000 positions that need to be filled, most of which do not require Senate confirmation. Among the 553 more senior positions that do require Senate confirmation, only 20 have been confirmed, and only 36 are awaiting confirmation. The remaining 497 senior positions have not had a nominee announced by The White House.

The slow pace has left critical sub-Cabinet posts unmanned more than two months after taking office. Only six deputy secretaries across the entire government have been announced, and none have been confirmed. Of the 50 under secretary and 120-plus assistant secretary positions across the government, only seven have been named, and none confirmed. These vacancies mean that while Trump's Cabinet is now largely in place, they are operating without much of the senior and mid-level appointees necessary to steer the government in the preferred direction of the President, or in some cases, any direction at all.

These delays are hampering The White House's ability to exert control across the Administration and implement the President's agenda. Without appointees loyal to him across the government, Trump is forced to rely on Obama holdovers and career incumbents, many of whom appear openly hostile to his agenda, and seemingly willing to subvert White House authority. The constant stream of leaks from the Administration are partially a symptom of how these officials are exploiting the lack of oversight to undermine the President.

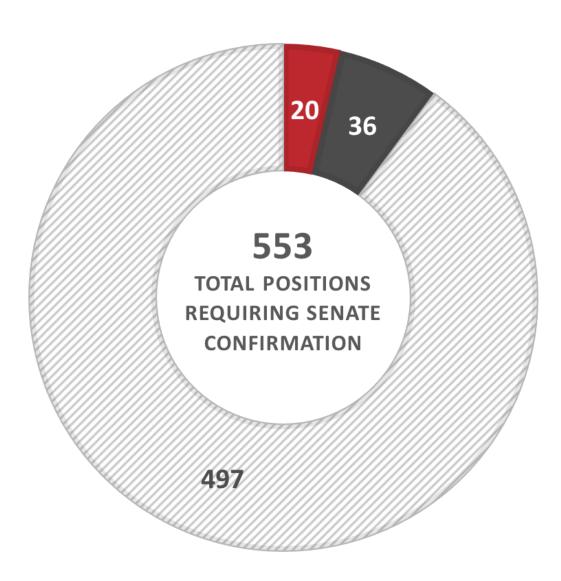
The Trump transition team hoped to paper over some of these staffing shortfalls by empowering the "beachhead teams" that entered the various government agencies on January 20th, and particularly through the appointment of senior White House advisors at each department. However, these advisors, who answer directly to The White House, have only served to exacerbate the middle management shortfalls the Administration is facing. They lack direct oversight authority necessary to guide bureaucratic decision-making, and instead have increased levels of suspicion and distrust between The White House, the Cabinet Secretaries, and the civil servants.

On a variety of fronts, The White House has <u>already</u> faced stumbling blocks in advancing key policy initiatives, and these challenges are only likely to increase as they seek to make progress on major elements of the President's agenda. Over the next few months, Trump will depend on various agencies to work out the details of key initiatives, including <u>finding</u> money at DHS to fund a border wall, conducting <u>reviews</u> to eliminate onerous regulations across government, and further fleshing out the second regulatory-focused <u>phase</u> of his promised Obamacare repeal. The current staffing dynamic in the Administration leaves the President and his team short-staffed and ill-prepared to move forward on these and other goals.



Picturing The Empty Government

Fewer Trump nominees have been confirmed to key posts than the last three Administrations at this point during their terms. Among the 553 more senior positions that do require Senate confirmation, only 20 have been confirmed, and only 36 are awaiting confirmation. The remaining 497 senior positions have not had a nominee announced by The White House.



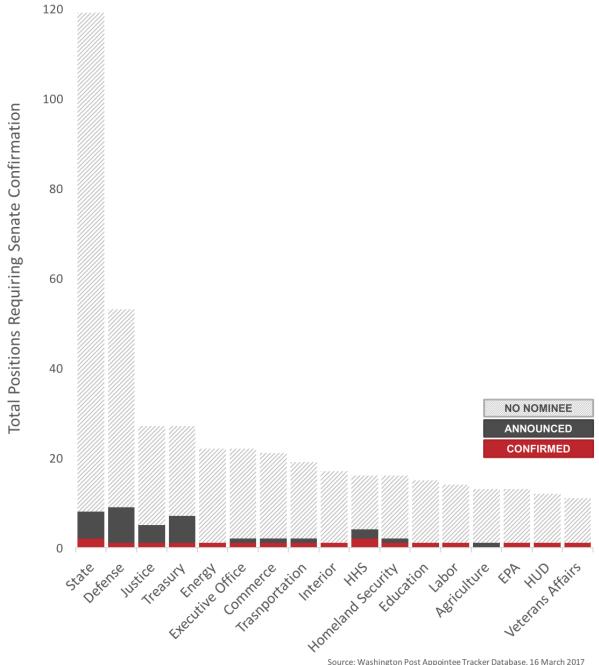


Source: Washington Post Appointee Tracker Database, 16 March 2017



Across the Administration

The slow pace has left critical sub-Cabinet posts unmanned more than two months after taking office. While Trump's Cabinet is now largely in place, they are currently operating without much of the senior and midlevel staff necessary to steer the government. These delays are hampering The White House's ability to exert control across the Administration and implement the President's agenda.



Source: Washington Post Appointee Tracker Database, 16 March 2017



Contributing Factors To The Delays

There are several factors that have contributed to President Trump's unusually slow start in filling out his Administration. Some of these headwinds would likely be faced by any newly-elected Republican President in 2017, whereas some of the factors are unique to Trump and the unusual road he took to The White House.

1. A Concerted Strategy Of Democratic Delay And Obstruction

Democrats have contributed to the slow installation of Republican political appointments through a deliberate <u>strategy</u> to stall almost all nominations and drag out the process. Given the <u>extreme hostility</u> towards the President from the liberal base, there is little political upside for Democratic members of Congress in making the process easy for Trump's nominees.

Several of the party's sitting Senators who are talked about as potential 2020 Presidential contenders have the most consistent records <u>voting against</u> the President's picks: Kirsten Gillibrand (2 'Yes' votes out of 19 Trump Cabinet Nominees), Cory Booker (3), Elizabeth Warren (3), Bernie Sanders (3), and Kamala Harris (4). At the other end of the spectrum, red-state Democratic Senators such as Joe Manchin of West Virginia, who has voted for the majority of Trump's nominees, have faced open <u>opposition</u> from liberal groups, such as the PAC "WeWillReplaceYou," who claim they will seek primary challenges against Democrats who are too accommodating to the President.

While Democrats would argue that President Obama <u>also faced</u> an unprecedented level of uniform opposition from Republicans during his time in office, the atmosphere of intensifying polarization in Washington, and across the country, suggests that the political calculus for Democrats to oppose and delay the President at every turn is unlikely to change.

2. An Uncommon Level Of Republican Opposition To The President's Candidacy

Every incoming President expects to fill their government with individuals who will loyally execute on their vision and agenda. Yet, most incoming presidents in the modern era also enjoyed near uniform support from within the ranks of their party during their general election campaigns. Efforts to fill in the ranks of the Trump Administration is likely being slowed by the fact that an uncommon number of otherwise qualified Republicans were openly hostile to President Trump during the campaign.

Incidents of otherwise qualified candidates for Administration jobs being vetoed by The White House over past criticism of the President have been reported at the <u>Departments of Education</u>, <u>Treasury</u>, and <u>Housing and Urban Development</u>. The most high-profile example, though, came when Secretary of State Rex Tillerson was <u>denied</u> his top pick for Deputy Secretary, Elliot Abrams, who was rejected due to his previous <u>criticism</u> of Trump.

Transitioning from campaigning to governance requires expanding the President's circle of trust, and placing authority in a far wider group of hands. Given that numerous establishment Republican officials who were openly critical of the then-nominee during the campaign, especially within the <u>foreign policy community</u>, developing the expanded circle of trust will be uniquely but understandably difficult for this President.



3. A Team Of Political Outsiders Who Got Off To A Late Start

Another factor potentially impeding the President's ability to fill out his government is that he is probably the closest thing to a true political outsider to assume the Presidency in at least a generation. While this was likely a key to his election victory, it meant that he entered office with less of a network of political allies, staffers, and supporters than any previous incoming President. And, Trump won the election despite maintaining an abnormally small campaign apparatus that was dwarfed by Hillary Clinton's. In addition to being small, Trump's team was comprised largely of fellow political outsiders, with little to no experience managing the vast bureaucracy of the federal government.

Compounding the disadvantage of his small campaign team, President Trump got off to an unusually slow start in building out a broader Administration. Trump superstitiously <u>refused</u> to discuss the transition process or any potential government appointments until after the election. Furthermore, just two days after the election was over, Trump replaced the head of his transition team, New Jersey Governor Chris Christie, with Vice President-elect Mike Pence, and effectively <u>discarded</u> much of the six months' worth of work that Christie and his team had done to prepare for the new Administration. This left Trump and his team even further behind in identifying and vetting candidates for the thousands of roles that would need to be filled.

4. Business Ties Are Tripping Up Or Otherwise Delaying Nominees

One additional factor to consider is that several of the President's appointments, or would-be appointments, are getting tripped up by complex ethics rules and difficulty divesting themselves from substantial financial holdings. Financial disclosure forms for Trump's nominees are being <u>submitted</u> to the Office of Government Ethics more slowly, and are proving more complex, than during the similar period under President Obama.

Trump's initial nominees for both Secretary of the Army and the Navy, Vincent Viola and Philip M. Bilden respectively, had to withdraw from consideration over complications with untangling their vast financial holdings. Skybridge Capital's Anthony Scaramucci saw his White House appointment delayed over the sale of his stake in his firm, and it remains unclear whether Scaramucci will ever take a formal role in the Administration. Complicated business ties are delaying the formal nomination of Todd Ricketts to be Deputy Secretary of Commerce, and may have contributed to delays in the nomination of Sonny Purdue as Secretary of Agriculture.

While Trump's nominees are hitting an unusual number of ethics paperwork challenges, it is not because Trump is choosing individuals with particularly problematic financial holdings. Instead, it is because Trump is building a team of political outsiders who have not been considering the implications of their business dealings in a confirmation process. Trump has recruited an <u>inordinate</u> number of individuals for his Administration who have limited government experience, yet have been successful in other walks of life, chiefly business. This places them at a disadvantage in the vetting process.

As political commentator and longtime CPA Bruce Bialosky notes, "the entire ethics process is rigged against people who have succeeded outside government." Bialosky points out, "It is easy to put your net worth in a blind trust when all you have is your house, a few investments, and your multiple government pensions. But, it is a lot different when you have a boatload of money earned from a highly-successful career spanning 40 years." The ethics bureaucracy, however, does not necessarily appreciate that distinction, and Trump's team will likely continue to see delays through the vetting process as they continue to focus on recruiting successful businesspeople who have not relied on the revolving door of Washington to build their wealth.



Effect on the Administration's Key Agenda Items

Staffing challenges have already caused problems for The White House on a variety of key initiatives. Moving forward, the shortage of political appointees loyal to the President will leave his team ill-prepared and reliant on Obama-era holdovers and hostile civil servants as they seek to make progress on key elements of the President's agenda. This difficulty will have a significant impact for businesses and other interests hoping for change in these areas of government.

1. Obamacare Repeal and Replace

The Lack Of Political Appointees At HHS Continues To Set Back Obamacare Regulatory Repeal. Before taking office, Trump demanded Congress repeal Obamacare within the first few weeks of his presidency. Although this timeframe may have always been unrealistic, a key initial factor holding back these efforts was the confirmation of HHS Secretary Tom Price. Price was not confirmed until nearly a month after Trump became president. Even with Price in place, 14 of 16 Senate confirmable appointee positions at the department remain unfilled, and only 2 of those 16 have an announced nominee.

Price <u>stated</u> that phase two of Obamacare repeal will focus on "regulatory modifications" of the law, which will come out of HHS. The absence of staffers loyal to the President's agenda will make it difficult to direct these reforms. In the meantime, the lack of meaningful progress on the regulatory front makes it difficult to convince conservatives to support the first repeal bill because they <u>view</u> regulatory reform as central to dismantling Obamacare.

2. Tax Reform

Tax Reform Is A Top Priority For Trump And Congressional Republicans, But The Effort Is Being Bogged Down By Delays Over Potential Treasury Nominees. As we have noted in On TAP, our weekly analysis report of the Administration's personnel and policy efforts, with The White House and both chambers of Congress solidly in GOP hands, Republicans have their best chance in years of passing tax reform. Furthermore, President Trump shifted his tax plan during the general election, bringing it more in line with Congressional Republicans. This would seem to indicate that the updated outline will serve as a solid blueprint for negotiations. Trump had even said in February that he expected the Treasury Department to submit a tax plan by early to mid-March.

Yet out of 27 presidential appointments at the Treasury Department, The White House has only announced seven nominees and the Senate has only confirmed one. The Assistant Secretary for Tax Policy, for example, who traditionally serves as the senior advisor to the Treasury Secretary on federal tax issues, is still vacant. Furthermore, the Deputy Undersecretary for Legislative Affairs nominee, Drew Maloney, who would coordinate Treasury's negotiations with Congress, was only announced in mid-March and has yet to be confirmed.

Despite the vacancies of key positions that are critical to tax policy within the Treasury Department, Secretary Mnuchin recently <u>doubled down</u> on the Administration's timeline to complete tax reform by August. Yet the lack of appointees at Treasury leaves the Administration without the necessary expertise and man-power to make that timetable seem realistic. Meanwhile, the civil servants are working against the cause of tax reform, recently producing an <u>analysis</u> many have argued shows that tax cuts do not lead to economic growth.



3. Immigration

The President's Initial Travel Ban Executive Order Was Hampered By A Lack Of Departmental Coordination And Preparedness On Its Roll Out. The executive order restricting travel from seven majority-Muslim countries was envisioned as a cornerstone of President Trump's immigration policy during his campaign and the early days of his Administration. Yet the initial E.O., issued on January 27th, was criticized for being implemented without proper input or buy-in from Defense, State, or Homeland Security departments. This oversight led to confusion over admitting green card citizens back into the country, families being separated, and multiple delays from massive protests.

The confusion surrounding this order stems partially from a lack of officials at DHS <u>coordinating</u> to ensure proper guidance was provided to carry out the E.O. effectively. The President's second travel ban <u>was released</u> with better coordination between agencies and clearer communication on the parameters of the order, yet the mishandling of the original order has <u>damaged</u> the ability to effectively communicate to the public the purpose and strategy behind the Administration's actions. In addition, the early missteps were used by a federal judge as part of the justification for issuing a temporary restraining order on the second order.

The Department Of Homeland Security Has Reportedly Found Just \$20 Million In Their Existing Budget That Can Be Re-Directed To The Construction Of A Border Wall Along The U.S.-Mexico Border. To fulfill a campaign pledge, President Trump directed the Department of Homeland Security to begin construction of the U.S.-Mexico Border Wall using "existing funds and resources." Officials at DHS reportedly found just \$20 million in their existing budget to do so. This low number was more likely an example of career bureaucrats being unwilling to reallocate money from their own special projects, rather than the reality of the budget. While The White House has made a supplemental budget request of \$3 billion for the border wall's construction, the strong opposition from Democrats and lukewarm Republicans on the Hill make it unlikely for funding to be forthcoming quickly. Thus, it is imperative that Trump appoint his own officials at DHS who can identify and allocate additional amounts from existing funds if he hopes to see the project move forward.

4. Infrastructure

Secretary of Transportation Elaine Chao is not an advocate of increased federal spending, much like her husband, Senate Majority Leader Mitch McConnell, and most recently has been calling for private funding for the President's plan. Furthermore, the agencies within the Transportation Department are waiting on a wide array of political appointments. Of the 19 politically appointed positions at DOT, the Administration has only filled the post of Secretary and nominated Jeffrey Rosen for Deputy Secretary. Notably, while The White House's insertion of special liaisons across the government has been met with consternation at other departments, Chao has welcomed DoT's White House Advisor, who has been able to aid in the work the missing Presidential appointees should be handling, such as coordinating agency efforts to lay the groundwork for the President's infrastructure agenda.



Vacancies At FERC Leave The Commission Unable To Function, Hampering The Trump Administration's Energy-Related Infrastructure Plans. The Federal Energy Regulatory Commission, the regulatory body charged with approving and monitoring energy infrastructure in the U.S., has been dormant for several weeks following the resignation of Norman Bay, which reduced the Commission to below the membership requirements for a quorum. Members of Congress and industry leaders have called for President Trump to nominate new commissioners to allow the regulatory body to make approval decisions on pending energy projects. While The White House has leaked three names as the President's nominees for FERC, it still has not formally submitted any names for Senate approval. The President has prioritized energy infrastructure development, yet until these nominees are confirmed, many energy projects will remain at a standstill.

5. Environmental Deregulation

The Trump Administration's Initial Regulation Reduction Efforts Have Been A Success, But The Lack Of Officials Will Harm Long Term Efforts. Eliminating wasteful and burdensome regulations has served as a frequent talking point for President Trump, and his Administration has worked to address the concerns of business by postponing Obama-era regulations for further review. While the Administration has successfully delayed several Obama-era regulations, such as the Obama Clean Power Plan, the EPA is still missing several political appointees who will be necessary to carry out their mandated reviews of these rules.

As a result, the task of executing the President's goal of reducing regulations is falling to career members of the EPA, who have been <u>noted</u> for their hostility to the President's environmental and energy policies, as well as his chosen leadership for the agency, Director Scott Pruitt. Delays in political appointments will likely leave the reviews of environmental policies ordered by the Trump Administration, such as the <u>revaluation</u> of CAFE auto emission standards, largely in the hands of career bureaucrats who disagree with the objectives of these reviews.

6. Defense Build Up

Trump Is Depending On Obama Holdovers And Career Bureaucrats At The Pentagon To Implement His Pledge To Rebuild The Military And Improve Efficiency. During his campaign, President Trump promised to increase the number of active duty soldiers by 60,000, boost the number of ships and submarines from 272 to 350, and build another 100 fighter aircraft. His recently released <u>budget</u> calls for increasing the base defense budget by 10 percent, or \$54 billion, from sequestration levels and 3 percent, or \$18 billion, from President Obama's budget. Secretary of Defense Mattis <u>tasked</u> Acting Deputy Defense Secretary Robert Work to review Pentagon management practices to improve efficiency. Work is a holdover Obama <u>nominee</u> who <u>advocated</u> against increased defense spending.

Despite the recent nominations of six officials, numerous key Pentagon posts remain unfilled, with 42 political appointee posts requiring Senate confirmation awaiting a nominee from Trump. As a result, the President is depending on officials who oppose his vision for the Pentagon to push his military buildup and identify areas to improve efficiency to help pay for it. Additionally, Trump's top appointees at the Defense Department, Secretary James Mattis and Deputy Secretary nominee Patrick Shanahan, are relatively apolitical figures. Secretary Mattis was a career Marine officer, while Shanahan has spent the last 30 years as a defense contractor at Boeing. To achieve his objectives in reshaping and bolstering the military, the President will likely need appointees inside the Pentagon who believe in his goals, have his trust, and take his political and policy interests to heart.



7. Trade

Trump's Ambitious Trade Agenda Includes Renegotiating NAFTA And Pursuing Bilateral Trade Deals, But The Administration Has Yet To Nominate Most Of The Key Positions In The Offices That Would Spearhead His Trade Policy. Trump repeatedly criticized NAFTA during the campaign and advocated for renegotiating it and other trade deals to better serve American interests. Yet, The White House National Trade Council only has three members and still lacks an executive order making it an official body, only 2 of 21 positions in the Commerce Department have been filled, and Robert Lighthizer is the only nominee for the U.S. Trade Representative's office with three other deputy positions still vacant.

The result is having a direct impact on trade policy. For example, despite Trump pulling out of TPP, the U.S. wanted to send the U.S. Trade Representative to recent talks in Chile to discuss the possibility of opening bilateral negotiations with individual countries. However, since USTR nominee Robert Lighthizer has yet to be confirmed, Carol Perez, the U.S. Ambassador to Chile, a career foreign service officer appointed by President Obama, attended the meeting instead.

8. Financial Deregulation

President Trump's Executive Order Seeking To Roll Back Onerous Financial Regulations Is Likely To Be Hampered By A Lack Of Appointees To Key Agencies, Boards, And Commissions. Shortly after taking office, President Trump signed an executive order calling for the Secretary of the Treasury to consult with member agencies of the Financial Stability Oversight Council (FSOC) to create a report on which specific laws and regulations are most helping or hurting the economy, with the goal of ultimately rolling back onerous regulation. The FSOC report is due back to The White House on June 6, 2017. Yet to make that deadline, the Administration will be forced to rely on agencies currently staffed with Obama appointees who still have time left on their terms, as well as agencies and commissions with empty seats for which the Administration has thus far failed to nominate anyone.

The only FSOC agency with a confirmed Trump-appointed head is the Treasury with Secretary Steve Mnuchin. Three other FSOC agencies have nominees, however it is unlikely they will be settled into the agency in time to have a major impact on the report: Jay Clayton to chair the SEC, J. Christopher Giancarlo to head the CFTC, and J. Mark McWatters as Acting Chairman at NCUA. Several other positions in FSOC agencies and commissions are all currently headed by Obama appointees or have empty seats the Trump Administration has yet to fill. Most notably, these include two empty seats on the Federal Reserve Board of Governors, and Obama holdovers Martin Gruenberg at the FDIC and Richard Cordray at the Consumer Financial Protection Bureau.



How To Handle The Uncertainty

The government may be empty. But trade association executives, lobbyists, and other public affairs professionals still need to do their jobs. How does one influence an empty administration? The key to navigating this challenging political climate will be knowing who the small number of people in government are and gaining a comprehensive understanding of their background and how it informs their thinking when it comes to the position they hold.

Between the limited number of Trump appointees currently in government and the slow process of filling the remaining vacancies, this Administration's appointees will be even more important than they might be otherwise. It's important to consider the following observations:

- Due to the limited number of senior political appointees currently in government, less senior staffers
 at various agencies whose positions do not require Senate confirmation may prove more influential
 than they have in prior Administrations.
- Some of the Administration's key appointments have been for a newly formed role of "White House
 advisors" within various federal departments. Many of those appointed to these positions are
 younger staffers with shorter policy resumes. But, they will likely play important roles in being a
 White House sounding board for their Cabinet-level bosses.
- Appointees who are already in government are also being forced to take on a larger set of issues in order to make up for their lack of colleagues. This will lead to some staffers becoming responsible for specific policy areas in which they might not have institutional knowledge.

Insightful assessments of this White House's plans moving forward could be the difference between success and failure for any stakeholder. The challenge will be tracking the evolution of policy decisions without getting caught up in the trivial news items of the day. It will be more important than ever to separate real developments from all of the noise. Knowing how personnel translates into policy inside the Trump White House will be the best way to make these crucial distinctions.

Since Trump has no clear history in most policy areas, he will be especially open to influence by those around him. The most influential individuals around this President may not be in the roles that have traditionally wielded the most influence. Counsel from a sitting Cabinet officer could be less valuable than ideas from a long-time Trump confidente from the business community.

Those seeking to engage this Administration will need to craft strategies informed by a firm understanding of Trump's appointees and the paths they take to take policy from inception to execution. This could mean employing new tactics to fit a new audience of DC power players, many who have never lived or worked in DC before. For this Administration, like others, the old adage that 'personnel equal policy' remains true. But, unlike previous Administrations, who those people are and what they are telling the President are more difficult to determine and more important to know than ever.







www.delvedc.com