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Wealth of Trump Nominees Complicates Their Approval

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The concentration of wealth among president-elect Donald Trump's nominees is setting up an arduous and expensive Senate confirmation process that could slow implementation of the White House agenda.

The Republican has so far appointed five billionaires and half a dozen multimillionaires to serve in his administration. To win confirmation, they will be required to disclose their financial holdings and divest themselves of any assets that could present a potential conflict of interest with their new posts.

While the process may not hurt the nominees' chances of winning Senate approval, it could eat time that prevents the Trump administration from hitting the ground running. For months after President Barack Obama took office in 2009, important posts in the Treasury department remained vacant -- in the throes of the financial crisis -- as candidates were vetted by the Senate.

Mr. Trump's picks for his cabinet so far have a collective net worth of close to $10 billion, according to a Wall Street Journal analysis of Forbes magazine's net-worth estimates and financial-disclosure data.

Ethics officials "have some experience with people with very complicated financial situations, but that's not the norm," said Steven Rattner, a multimillionaire who in 2009 spent $400,000 on legal fees to prepare for accepting a position in the Treasury department. "Most people in the government are not people with the kind of wealth of the Trump people."

History suggests the president-elect's team will have its work cut out. In 2008, Mr. Obama approached billionaire Penny Pritzker about joining his cabinet. She ultimately decided against it, in part because of the divestiture and disclosure process, according to a person familiar with her decision. She agreed to head the Commerce Department four years later, winning confirmation in mid-2013, six months after her preparations began.

In May 2013, a month ahead of her confirmation, Ms. Pritzker signed an ethics agreement outlining the steps she would take to avoid conflicts, including divesting herself of interests in 221 entities and resigning her positions at another 158 entities.

Even appointees who don't require Senate confirmation are faced with a complex series of tasks.

"It's a very painful process," said Mr. Rattner, who began consulting lawyers in December 2008 about whether it would be feasible for him to join the Obama administration. He was formally appointed in February 2009.

Henry Paulson, a Goldman Sachs Group Inc. chief executive worth about $127 million when President George W. Bush tapped him as treasury secretary in 2006, spent about as much on professional fees to comply with federal ethics and conflicts rules as he earned during his 2 1/2 years in the administration, according to a person involved in the effort.

"Some of these folks are going to have to leave a lot of money on the table," said Doug Graham, who served as a vetting adviser to the Office of Presidential Personnel from 2012 until 2015. "There are going to be a lot of tax attorneys working overtime this break to try to get them ready for their January hearings."

Wilbur Ross Jr. and Steven Mnuchin, Mr. Trump's respective picks to head the Commerce and Treasury departments, will face some of the most stringent divestiture requirements given the broad purview of those positions.

The Senate Finance Committee, which vets nominees for three top administration jobs -- Treasury and Health and Human Services secretaries and Centers for Medicare and Medicaid Services administrator -- is among the few committees that require a review of nominees' tax returns. Senate Democrats are pushing for all vetting committees to review nominees' tax returns.

An aide to the Senate Finance Committee said Tom Price, Mr. Trump's pick to head HHS, and Mr. Mnuchin have submitted their tax returns for the past three years and completed questionnaires.

"The Senate Finance Committee recognizes the need for a seamless transition . . . and will act in a swift and thorough manner to clear the nominees in the Committee to ensure a timely consideration by the full Senate," Senate Finance Chairman Orrin Hatch (R., Utah) said in a written statement.

Messrs. Ross and Mnuchin both derive large portions of their wealth from closely held investment vehicles they will likely need to sell. For the pair, who collectively have a net worth of at least $3 billion, the new posts will also likely come with a significant pay cut.

In 2006, Mr. Paulson sold 3.23 million Goldman shares that at the time were valued at about $500 million. This time, four of Mr. Trump's top picks -- Messrs. Ross and Mnuchin, as well as Gary Cohn and Rex Tillerson, tapped to head the National Economic Council and State Department, respectively -- have reported collectively holding about $640 million in publicly traded shares, according to recent data.

One bright spot for the nominees: They stand to defer paying tens of millions of dollars in personal taxes on investment gains when they take up their posts, the result of longstanding federal policy, according to a Wall Street Journal analysis.

On top of divestiture requirements, nominees must fill out questionnaires detailing their financial holdings and business interests, as well as an Office of Government Ethics form that experts say isn't designed for wealthy nominees with complex holdings. Some of these are ultimately released to the public.

Among the demands: a list of all organizations nominees have been affiliated with since age 18; the names of all "major clients" or any clients who could pose a conflict or the appearance of a conflict; and all real-estate properties, "including additional homes, vacation homes, and rental properties."

Complicating matters for Mr. Trump's nominees is a relative lack of advance preparation. In 2008, Mr. Obama's transition team assigned 10 to 12 staffers to serve on each nominee's confirmation team, helping vet the appointee before the name was announced, said Ben LaBolt, who worked on Obama nomination picks that year.

Mr. Trump, by contrast, has announced many of his prospective nominees without requiring a review of their background and financial records, including tax returns, according to people familiar with the process.

Mr. Trump himself suggested he plans to retain ownership of his businesses while handing over management to his children -- despite pressure from ethics experts and lawmakers to fully cut ties with his companies. Presidents aren't subject to the conflict-of-interest rules that apply to their cabinet appointments.