



# Record of Failure

**Kathy Kraninger's Disastrous Tenure at the Office of Management and Budget**

**Staff Report Prepared for Senator Elizabeth Warren  
July 2018**

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# EXECUTIVE SUMMARY

On June 18, 2018, President Donald Trump announced his intent to nominate Kathleen Kraninger as Director of the Consumer Financial Protection Bureau (CFPB). Ms. Kraninger is currently a senior political appointee at the Office of Management and Budget (OMB).

As both Democrats and Republicans have recognized – and as the Trump Administration has effectively conceded – Ms. Kraninger has no experience in consumer finance or protection. Instead, the Trump Administration has defended Ms. Kraninger’s nomination solely by citing her management abilities, noting that she currently “oversees \$250 billion in budgetary resources”<sup>1</sup> and would bring “much-needed management experience”<sup>2</sup> to the CFPB.

Ms. Kraninger has a low-profile role in the Administration, but as Associate Director for General Government Programs at OMB, she leads OMB’s oversight of several federal agencies, including the Department of Justice (DOJ), the Department of Homeland Security (DHS), and the Department of Housing and Urban Development (HUD). Traditionally, someone in Ms. Kraninger’s role would provide “ongoing policy and management guidance,” “oversee implementation of policy options,” and work with agencies throughout the year as they shift money to implement new legislation or Administration policy.<sup>34</sup>

This report examines Ms. Kraninger’s track record at OMB and finds that the agencies she supervises have been responsible for some of the Trump Administration’s most costly – and tragic – management failures. Based on these results, she has not earned a promotion to lead the CFPB.

Specifically, Ms. Kraninger has overseen:

**Failures in Immigration Policy:** The budget and immigration policy planning process overseen by Ms. Kraninger has produced a humanitarian catastrophe. Ms. Kraninger is the OMB official with primary responsibility over the DOJ and DHS.<sup>5</sup> In that role, she was responsible for helping plan and oversee the President’s appalling “Zero Tolerance Policy,” which has resulted in thousands of children being torn away from their parents.<sup>6</sup> Similarly, on Ms. Kraninger’s watch,

<sup>1</sup> White House, “President Donald J. Trump Announces Intent to Nominate and Appoint Personnel to Key Administration Posts,” June 18, 2018, <https://www.whitehouse.gov/presidential-actions/president-donald-j-trump-announces-intent-nominate-appoint-personnel-key-administration-posts-11/>.

<sup>2</sup> Seattle Times, “Trump to nominate OMB official to lead consumer watchdog,” Jill Colvin, June 16, 2018, <https://www.seattletimes.com/business/apxtrump-to-nominate-omb-official-to-lead-consumer-watchdog/>.

<sup>3</sup> Congressional Research Service, “Introduction to the Federal Budget Process,” December 3, 2012, <http://www.crs.gov/Reports/98-721?source=search&guid=002838890c9649df9a1ffc4ee5efb2e&index=6>.

<sup>4</sup> Office of Management and Budget, “The Mission and Structure of the Office of Management and Budget,” [https://obamawhitehouse.archives.gov/sites/default/files/omb/assets/about\\_omb/omb\\_org\\_chart\\_0.pdf](https://obamawhitehouse.archives.gov/sites/default/files/omb/assets/about_omb/omb_org_chart_0.pdf).

<sup>5</sup> United States Government Manual, “Office of Management and Budget,” <https://www.usgovernmentmanual.gov/ReadLibraryItem.ashx?SFN=DjwsLvg6HT/zFuXGHf1j1w==&SF=PAmu4nDRyaoCugTKvsXyXx/6G6ZqqOY1fk7ZHZboqk4=>.

<sup>6</sup> USA Today, “Does the Trump administration have a policy of separating families at the border?,” Dierdre Shesgreen, June 18, 2018, <https://www.usatoday.com/story/news/politics/2018/06/18/does-trump-administration-have-policy-separating-families/709873002/>; NBC News, “U.S. has nearly 3,000 separated migrant kids, will use DNA to find parents.”

President Trump’s promise to secure the border by hiring thousands of new immigration agents has been marked by a lack of preparation and extraordinary waste, with little planning about how to recruit or deploy the additional 15,000 agents and officers that CBP and ICE were directed to hire.<sup>7</sup>

**Failed Puerto Rico Recovery:** Ms. Kraninger’s failure to ensure an adequate, timely response in Puerto Rico has turned a natural disaster into a man-made disaster. On September 20, 2017, Hurricane Maria hit Puerto Rico and the U.S. Virgin Islands, causing unprecedented devastation to the territories.<sup>8</sup> In the aftermath of a disaster, OMB was responsible for requesting disaster aid from Congress on behalf of the Administration,<sup>9</sup> and Ms. Kraninger was the official with oversight over most of the executive branch agencies charged with coordinating disaster recovery. Under her direction, OMB’s inadequate requests for emergency disaster funding for these agencies have resulted in a delayed recovery and potentially undermined the resilience for future disasters. Senate leaders on both sides of the aisle, including Senate Majority Whip John Cornyn, claimed that one of the aid packages was “wholly inadequate”<sup>10</sup> after OMB requested a fraction of what Puerto Rico Governor Ricardo Rosselló determined was necessary to rebuild the island – and split that amount among several jurisdictions recovering from disasters.<sup>11</sup>

A new FEMA review of agency activities in the wake of the hurricane identified a host of problems: the agency was understaffed, unable to track the movement of resources in Puerto Rico, did not stock enough generators, and lacked key information as it prepared for and responded to the hurricane.<sup>12</sup> Nearly 10 months after Hurricane Maria, Puerto Rico continues to struggle to recover and to prepare for the next hurricane.

**Failure to Address the Affordable Housing Crisis:** The budget overseen by Ms. Kraninger at OMB would make this country’s affordable housing crisis even worse. Rents are rising all over the country. One in three extremely low income households pays more than 30 percent of their income in rent and 11 million renters pay more than 50 percent of their incomes in rent.<sup>13</sup> Ms.

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[Julia Ainsley, July 5, 2018, https://www.nbcnews.com/politics/immigration/u-s-has-nearly-3-000-separated-migrant-kids-will-n888986.](https://www.nbcnews.com/politics/immigration/u-s-has-nearly-3-000-separated-migrant-kids-will-n888986)

<sup>7</sup> Department of Homeland Security Office of Inspector General, “Special Report: Challenges Facing DHS in Its Attempt to Hire 15,000 Border Patrol Agents and Immigration Officers,” July 27, 2017, <https://www.oig.dhs.gov/sites/default/files/assets/2017/OIG-17-98-SR-Jul17.pdf>.

<sup>8</sup> MassLive, Editorial, “Puerto Ricans still suffering from hurricane damage. It’s time for Congress to act,” Senators Elizabeth Warren and Ed Markey, May 31, 2018, [https://www.masslive.com/opinion/index.ssf/2018/05/op-ed\\_on\\_the\\_housing\\_victims\\_o.html](https://www.masslive.com/opinion/index.ssf/2018/05/op-ed_on_the_housing_victims_o.html).

<sup>9</sup> Letter from OMB Director Mick Mulvaney to Vice President Mike Pence, October 4, 2017, [https://www.whitehouse.gov/wp-content/uploads/2017/11/letter\\_regarding\\_additional\\_funding\\_and\\_reforms\\_to\\_address\\_impacts\\_of\\_recent\\_natural\\_disasters.pdf](https://www.whitehouse.gov/wp-content/uploads/2017/11/letter_regarding_additional_funding_and_reforms_to_address_impacts_of_recent_natural_disasters.pdf).

<sup>10</sup> New York Times, “White House Requests More Disaster Aid but Also Seeks Cuts as Deficits Rise,” Thomas Kaplan, November 17, 2017, <https://www.nytimes.com/2017/11/17/us/politics/trump-disaster-relief-hurricanes-wildfire-tax-cuts.html>.

<sup>11</sup> Bloomberg, “Puerto Rico Seeks \$94 Billion in Federal Aid for Hurricane Recovery,” Rebecca Spalding, November 13, 2017, <https://www.bloomberg.com/news/articles/2017-11-13/puerto-rico-seeks-94-billion-in-u-s-aid-for-hurricane-recovery>.

<sup>12</sup> Federal Emergency Management Agency, “2017 Hurricane Season FEMA After-Action Report,” July 12, 2018, p. 37, <https://www.fema.gov/media-library-data/1531438753896-273f27679ba04c93301af90546abae18/2017FEMAHurricaneAAR.PDF>.

<sup>13</sup> National Low Income Housing Coalition, “The Gap A Shortage of Affordable Homes,” March 2018, [http://nlihc.org/sites/default/files/gap/Gap-Report\\_2018.pdf](http://nlihc.org/sites/default/files/gap/Gap-Report_2018.pdf).

Kraninger has primary responsibility at OMB for HUD, which is responsible for most affordable housing programs. But instead of addressing the crisis, the Administration proposal gutted housing assistance, which would have resulted in 250,000 fewer people receiving housing vouchers and many more paying larger portions of their income in rent.<sup>14</sup>

The Trump Administration budgets proposed under her watch also fail to invest in affordable housing infrastructure and allow existing housing assets to deteriorate, ensuring that the affordability crisis will continue to worsen. The budget eliminates all the programs that help to rehabilitate public housing facilities and zeroes out programs that help build new affordable housing in communities all over America, including the Community Development Block Grant,<sup>15</sup> which provides funding to “develop viable urban communities” and is also the largest economic development program in rural America.<sup>16</sup>

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<sup>14</sup> National Low Income Housing Coalition, “President Trump’s Budget Proposes to Slash Affordable Housing and Other Essential Programs,” June 2017, <http://nlihc.org/sites/default/files/Trump-Budget.pdf>.

<sup>15</sup> White House, Department of Housing and Urban Development FY 2019 Budget Request, February 2018, p. 559, <https://www.whitehouse.gov/wp-content/uploads/2018/02/hud-fy2019.pdf>.

<sup>16</sup> Housing Policy Debate Journal, “The Role of the CDBG Program in Rural America,” Keith Wiley, January 28, 2014, <https://www.tandfonline.com/doi/full/10.1080/10511482.2013.859162?scroll=top&needAccess=true>

# INTRODUCTION

On June 18, 2018, President Donald Trump announced his intent to nominate Kathleen Kraninger to be the Director of the Consumer Financial Protection Bureau (CFPB). Ms. Kraninger currently holds a senior political position at OMB. She has spent more than a decade working on homeland security policy in the Executive Branch and on Capitol Hill, but she has never worked as a regulator or on consumer protection issues, either in public service or in the private sector.

The OMB is not a high-profile government agency. But the agency is critically important, and Ms. Kraninger holds a position of significant authority and responsibility. Public management experts have described OMB as “the one federal agency that can play a pivotal role in ensuring the effective implementation of programs and policies across the entire government,”<sup>17</sup> and noted that:

More than any other institution in the federal arena ... [OMB is] the best agency for providing the necessary institutional knowledge, coordination, and oversight for turning [Trump Administration] priorities into reality ... OMB is a tiny agency with huge responsibilities. ... Both the president and Congress also look to OMB as a SWAT team to handle crises ... especially when a crisis requires a coordinated response from several agencies.<sup>18</sup>

Ms. Kraninger is currently the Program Associate Director for General Government Programs at OMB, where her responsibilities include providing “ongoing policy and management guidance,” “oversee[ing] implementation of policy options,” and working with agencies throughout the year as they shift money to implement new legislation or Administration policy.<sup>19</sup>

In nominating Ms. Kraninger, the White House touted her record as an experienced manager in the Federal government – stressing that in her role at OMB, she “oversees \$250 billion in budgetary resources for seven cabinet departments and thirty other federal agencies, including the Department of the Treasury, Department of Housing and Urban Development, and the Bureau of Consumer Financial Protection.”<sup>20</sup> A White House spokesperson said that Ms. Kraninger “will bring a fresh perspective and much-needed management experience [to the agency] which has been plagued by excessive spending, dysfunctional operations, and politicized agendas.”<sup>21</sup>

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<sup>17</sup> Partnership for Public Service, “From Decisions to Results: Building a More Effective Government Through a Transformed Office of Management and Budget,” October 12, 2016, <https://ourpublicservice.org/publications/viewcontentdetails.php?id=1349>.

<sup>18</sup> The Public Manager, “The Crucial Role of OMB,” Eric Keller and Peter Kamocsai, February 2017, <https://www.td.org/magazines/the-public-manager/the-crucial-role-of-omb>.

<sup>19</sup> Congressional Research Service, “Introduction to the Federal Budget Process,” December 3, 2012, <http://www.crs.gov/Reports/98-721?source=search&guid=002838890c9649df9a1ffcb4ee5efb2e&index=6>.

<sup>20</sup> White House, “President Donald J. Trump Announces Intent to Nominate and Appoint Personnel to Key Administration Posts,” June 18, 2018, <https://www.whitehouse.gov/presidential-actions/president-donald-j-trump-announces-intent-nominate-appoint-personnel-key-administration-posts-11/>.

<sup>21</sup> New York Times, “White House Confirms That Mulvaney Deputy Is Pick to Lead Consumer Bureau,” Glenn Thrush, June 16, 2018, <https://www.nytimes.com/2018/06/16/us/politics/kraninger-consumer-financial-bureau.html>.

This report examines her success in meeting these responsibilities in her current role, including her work reviewing the Trump Administration budget, policies, and implementation in three different areas: immigration policy, the Puerto Rico hurricane response and recovery, and the response to the nation's affordable housing crisis. The immigration budget and policy planning process overseen by Ms. Kraninger produced a humanitarian catastrophe. Ms. Kraninger's failure to ensure an adequate, timely response in Puerto Rico has turned a natural disaster into a man-made disaster. And the budgets developed at OMB under Ms. Kraninger's watch would have made America's affordable housing crisis even worse.

Ms. Kraninger is not solely responsible for the Administration's success or failure in those areas. Budget requests are developed by numerous individuals in the Administration. Executive agencies play a primary role in policy implementation. Ms. Kraninger is a high-level official, but she is not the OMB Director. Nevertheless, she is a key administrator at the agency that is responsible for developing, coordinating, and overseeing administration budgets, policy, and implementation. Ms. Kraninger's purported management experience and ability is the sole basis for her nomination, which is why her management failures in these areas undercut any case for her nomination to run a major federal agency.

## Findings: The Trump Administration Policies under Kathy Kraninger's Watch Have Been Failures

### A. Failures of Immigration Policy

**The budget and immigration policy planning process overseen by Ms. Kraninger has produced a humanitarian catastrophe.** Ms. Kraninger was responsible for overseeing DOJ and DHS, the two agencies most involved in the planning and execution of policies separating thousands of young children from their parents at the southern border.

Attorney General Jeff Sessions announced the "Zero-Tolerance Policy for Criminal Illegal Entry" on April 6, 2018. The Zero-Tolerance Policy directed all U.S. Attorneys who serve in districts along the U.S.-Mexico border to criminally prosecute all cases of attempted illegal entry or illegal entry that are referred by DHS.<sup>22</sup> This policy has resulted in thousands of children being torn away from their parents. When parents with children cross the border without authorization – even if they are seeking asylum – the Zero-Tolerance Policy required them to be arrested on criminal charges of illegal entry and separated from their children because children are not permitted in adult criminal detention facilities.<sup>23</sup>

As a top White House budget official with oversight of the two agencies most involved in implementing the Zero-Tolerance Policy, Ms. Kraninger historically would have been responsible for working with senior administration officials to develop the policy and provide the necessary resources to implement it, including ensuring that there were sufficient personnel and appropriate detention

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<sup>22</sup> U.S. Department of Justice, "Attorney General Announces Zero-Tolerance Policy for Criminal Illegal Entry," press release, April 6, 2018, <https://www.justice.gov/opa/pr/attorney-general-announces-zero-tolerance-policy-criminal-illegal-entry>.

<sup>23</sup> USA Today, "Does the Trump administration have a policy of separating families at the border?," Dierdre Shesgreen, June 18, 2018, <https://www.usatoday.com/story/news/politics/2018/06/18/does-trump-administration-have-policy-separating-families/709873002/>.



facilities. Since the policy involved separating children from their parents, the planning also should have included resources to track the children and ensure that children could swiftly be reunited with their families.

But when implemented, the policy was inhumane and poorly managed. Republican Senators described it as a “hot mess”<sup>24</sup> and noted that “[t]here was no preparation for it.”<sup>25</sup> Eleven Democratic Senators expressed concern in a letter to Secretary of Health and Human Services Alex Azar and Secretary of Homeland Security Kirstjen Nielsen, about “reports of chaotic attempts to reunify parents and children that have been separated at the border.”<sup>26</sup> The Trump Administration missed a court-ordered deadline to reunite families with children under five years old because they were unable to match children with their parents in a timely fashion.<sup>27</sup> When Immigration and Customs Enforcement (ICE), a part of DHS, applied for an extension of another upcoming deadline to reunite children over five years old, officials admitted they had only completed a little over a fifth of the approximately 1,700 background checks necessary to match parents to their older children.<sup>28</sup>

The result of this mismanagement was a humanitarian crisis: hundreds of young children have been separated from their parents for weeks or months. Experts believe such separation at a young age will produce lifelong psychological trauma for these children.<sup>29</sup>

Ms. Kraninger has also stumbled in her efforts to fulfill President Trump’s promise to secure the border by hiring thousands of new immigration agents. The FY2019 Budget for DHS provided \$395 million in salaries and benefits to hire to hire 2,922 new Customs and Border Patrol agents over the next several years.<sup>30</sup> \$210.5 million of the FY2019 allotment would be specifically used to recruit, hire, and train 750 additional border patrol agents.<sup>31</sup> The budget also called for huge increases in personnel at other immigration agencies, including a 23% jump in staff at Immigration and Customs

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<sup>24</sup> CNN, “Senate Republicans did not want another immigration fight. Now they might not have a choice.,” Lauren Fox, June 18, 2018, <https://www.cnn.com/2018/06/18/politics/senate-republicans-family-separation/index.html>.

<sup>25</sup> CBS News, “Sen. Bob Corker faults Trump administration for “ready, fire, aim” family separation policy,” Emily Tillet, June 24, 2018, <https://www.cbsnews.com/news/sen-bob-corker-on-face-the-nation-faults-trump-for-ready-fire-aim-family-separation-policy/>.

<sup>26</sup> Letter from Senator Elizabeth Warren et al. to HHS Secretary Alex Azar and DHS Secretary Kirstjen Nielsen, July 2, 2018, <https://www.warren.senate.gov/imo/media/doc/2018.07.02%20Letter%20to%20DHS%20and%20HHS.pdf>.

<sup>27</sup> NPR, “Trump Administration Will Miss Deadline To Reunite Migrant Kids Under 5 With Parents,” Colin Dwyer, July 9, 2018, <https://www.npr.org/2018/07/09/627298836/trump-administration-will-miss-deadline-to-reunite-migrant-kids-under-5-with-par>.

<sup>28</sup> Washington Post, “Trump administration seeks more time to reunite some migrant families split at border,” Maria Sacchetti, July 6, 2018, [https://www.washingtonpost.com/local/immigration/trump-administration-seeks-to-extend-deadline-for-reuniting-some-migrant-families-split-at-border/2018/07/06/b3260a02-8131-11e8-b658-4f4d2a1aeef1\\_story.html](https://www.washingtonpost.com/local/immigration/trump-administration-seeks-to-extend-deadline-for-reuniting-some-migrant-families-split-at-border/2018/07/06/b3260a02-8131-11e8-b658-4f4d2a1aeef1_story.html).

<sup>29</sup> BBC News, “The health impact of separating migrant children from parents,” Jessica Lussenhop, June 19, 2018, <https://www.bbc.com/news/world-us-canada-44528900>.

<sup>30</sup> White House, Department of Homeland Security FY 2019 Budget Request, February 2018, p. 495, <https://www.whitehouse.gov/wp-content/uploads/2018/02/dhs-fy2019.pdf>.

<sup>31</sup> U.S. Department of Homeland Security, FY 2019 Budget in Brief,” p. 3, <https://www.dhs.gov/sites/default/files/publications/DHS%20BIB%202019.pdf>.



Enforcement,<sup>32</sup> a 17% increase at Citizenship and Immigration Services,<sup>33</sup> and a 47% jump at the Executive Office for Immigration Review at DOJ, which employs immigration judges.<sup>34,35</sup>

But reports indicate that there has been little planning about how to recruit or deploy this new staff. A recent report by the DHS Inspector General found that “neither [Customs and Border Protection] nor ICE could provide complete data to support the operational need or deployment strategies for the additional 15,000 agents and officers they were directed to hire.”<sup>36</sup> The report confirmed a 2016 Government Accountability Office report finding that DHS human resources services would be unprepared to meet significant increases in hiring needs, finding that the agency’s personnel office suffers from “fragmented systems, duplicative and paper-based processes,” and not enough of the staff or automation it needs to hire this many new employees.<sup>37</sup>

Because of its inability to handle the staffing increases, CBP awarded consulting group Accenture a \$297 million contract to help recruit and hire new agents, paying Accenture an estimated \$39,600 for every new hire – an amount nearly equal to a starting officer’s annual salary.<sup>38</sup> Rather than working with DHS to determine the agency’s actual staffing needs and building the operational infrastructure to support them, Ms. Kraninger’s planning – or failure to plan – resulted in wasting millions of dollars without a robust plan to deploy or manage an increase in enforcement agents.

## B. Failed Puerto Rico Recovery

Hurricane Maria devastated Puerto Rico and the U.S. Virgin Islands in September 2017. Maria came soon after Hurricane Irma, which also severely damaged the U.S. Virgin Islands and the Puerto Rican islands of Vieques and Culebra. The territories suffered unprecedented devastation from the hurricanes. OMB was responsible for requesting disaster aid from Congress on behalf of the Administration, and Ms. Kraninger was the official with oversight over most of the executive branch agencies charged with coordinating disaster recovery, including HUD, the Federal Emergency Management Agency (FEMA), and the Small Business Administration (SBA).

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<sup>32</sup> White House, Department of Homeland Security FY 2019 Budget Request, February 2018, p. 503, <https://www.whitehouse.gov/wp-content/uploads/2018/02/dhs-fy2019.pdf>.

<sup>33</sup> White House, Department of Homeland Security FY 2019 Budget Request, February 2018, p. 538, <https://www.whitehouse.gov/wp-content/uploads/2018/02/dhs-fy2019.pdf>

<sup>34</sup> White House, Department of Justice FY 2019 Budget Request, February 2018, p. 689, <https://www.whitehouse.gov/wp-content/uploads/2018/02/jus-fy2019.pdf>.

<sup>35</sup> All calculations are relative to 2017 levels.

<sup>36</sup> Department of Homeland Security Office of Inspector General, “Special Report: Challenges Facing DHS in Its Attempt to Hire 15,000 Border Patrol Agents and Immigration Officers,” July 27, 2017, <https://www.oig.dhs.gov/sites/default/files/assets/2017/OIG-17-98-SR-Jul17.pdf>.

<sup>37</sup> Washington Post, “Trump plan to hire 15,000 border and immigration personnel isn’t justified, federal watchdog says,” Lisa Rein, August 2, 2017, [https://www.washingtonpost.com/politics/trump-plan-to-hire-15000-border-and-immigration-personnel-isnt-justified-federal-watchdog-says/2017/08/02/c9345136-77a1-11e7-8839-ec48ec4cae25\\_story.html](https://www.washingtonpost.com/politics/trump-plan-to-hire-15000-border-and-immigration-personnel-isnt-justified-federal-watchdog-says/2017/08/02/c9345136-77a1-11e7-8839-ec48ec4cae25_story.html);

Department of Homeland Security Office of Inspector General, “Special Report: Challenges Facing DHS in Its Attempt to Hire 15,000 Border Patrol Agents and Immigration Officers,” July 27, 2017, <https://www.oig.dhs.gov/sites/default/files/assets/2017/OIG-17-98-SR-Jul17.pdf>.

<sup>38</sup> LA Times, “Government paying private firm \$297 million to help hire 5,000 Border Patrol agents,” Greg Moran, December 17, 2017, <http://www.latimes.com/nation/la-na-border-patrol-hiring-20171217-story.html>; Washington Post, “U.S. customs agency is so short-staffed, it’s sending officers from airports to the Mexican border,” Nick Miroff, January 19, 2018, [https://www.washingtonpost.com/world/national-security/us-customs-agency-is-so-short-staffed-its-sending-officers-from-airports-to-the-mexican-border/2018/01/18/44420a94-fc77-11e7-a46b-a3614530bd87\\_story.html](https://www.washingtonpost.com/world/national-security/us-customs-agency-is-so-short-staffed-its-sending-officers-from-airports-to-the-mexican-border/2018/01/18/44420a94-fc77-11e7-a46b-a3614530bd87_story.html).

The people of Puerto Rico and the U.S. Virgin Islands are United States citizens, and the Trump Administration failed them in the wake of the hurricanes. In Puerto Rico especially, the federal response – both on the ground and from Washington, D.C. – was appallingly inadequate. **Repeatedly, OMB and the agencies under Ms. Kraninger’s oversight took steps that reflected poor management and poor disaster planning – deficiencies that slowed the recovery and left Puerto Rico and the U.S. Virgin Islands vulnerable to future disasters.**

### *Emergency Funding*

In the wake of natural disasters, OMB typically requests relief on behalf of the Executive Branch and Congress passes emergency supplemental appropriations. Under Ms. Kraninger’s leadership, OMB’s requests were far too slow and far too small. They failed to appreciate the magnitude of the disasters and reflected a lack of interest in meeting the needs of Puerto Ricans afflicted by the hurricanes.

On October 4, 2017, OMB – under Ms. Kraninger’s leadership – requested \$28.77 billion in emergency funding (including debt relief for the National Flood Insurance Program) to respond to multiple disasters, including Hurricanes Harvey, Irma, and Maria, as well as the wildfires in the western United States.<sup>39</sup> Less than half of that request was for “additional response and initial recovery needs” for Puerto Rico and the U.S. Virgin Islands in the wake of the hurricanes.<sup>40</sup> Congresswoman Stacey Plaskett, who represents the U.S. Virgin Islands, called the relief bill “inadequate for the needs of the Virgin Islands, and I believe, inadequate for the needs of Puerto Rico and so many other areas.”<sup>41</sup> The House of Representatives recognized that the amount requested by OMB was too low, and instead passed a \$36.5 billion package.<sup>42</sup> Even that increased amount at the time was clearly not going to be enough.

As the weeks passed, it became increasingly clear that Puerto Rico Governor Ricardo Rosselló’s warning about “a humanitarian crisis”<sup>43</sup> on the island was well-founded. In November 2017, Governor Rosselló requested \$94 billion in federal aid for disaster recovery – just for Puerto Rico.<sup>44</sup> Days later, OMB – again, under Ms. Kraninger’s leadership – asked Congress for just \$44 billion, to be split among Texas, Florida, Puerto Rico, and the U.S. Virgin Islands.<sup>45</sup> There was outrage on both sides of

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<sup>39</sup> White House, Executive Office of the President, Office of Management and Budget, Mick Mulvaney, October 4, 2017, [https://www.whitehouse.gov/wp-content/uploads/2017/11/letter\\_regarding\\_additional\\_funding\\_and\\_reforms\\_to\\_address\\_impacts\\_of\\_recent\\_natural\\_disasters.pdf](https://www.whitehouse.gov/wp-content/uploads/2017/11/letter_regarding_additional_funding_and_reforms_to_address_impacts_of_recent_natural_disasters.pdf).

<sup>40</sup> White House, Executive Office of the President, Office of Management and Budget, Mick Mulvaney, October 4, 2017, Page 1, [https://www.whitehouse.gov/wp-content/uploads/2017/11/letter\\_regarding\\_additional\\_funding\\_and\\_reforms\\_to\\_address\\_impacts\\_of\\_recent\\_natural\\_disasters.pdf](https://www.whitehouse.gov/wp-content/uploads/2017/11/letter_regarding_additional_funding_and_reforms_to_address_impacts_of_recent_natural_disasters.pdf).

<sup>41</sup> USA Today, “Black lawmakers pushing for more aid, attention to Virgin Islands,” Deborah Barfield Barry, October 13, 2017, <https://www.usatoday.com/story/news/politics/2017/10/13/black-lawmakers-pushing-more-aid-attention-virgin-islands/761815001/>.

<sup>42</sup> New York Times, “House Approves \$36.5 Billion Hurricane and Wildfire Air Package,” Thomas Kaplan, October 12, 2017, <https://www.nytimes.com/2017/10/12/us/politics/house-congress-disaster-relief-hurricanes-wildfires.html>.

<sup>43</sup> CNN, “Federal response to Hurricane Maria slowly takes shape,” Deidre Walsh and Kevin Liptak, September 25, 2017, <https://www.cnn.com/2017/09/25/politics/puerto-rico-hurricane-maria-aid-donald-trump/index.html>

<sup>44</sup> Bloomberg, “Puerto Rico Seeks \$94 Billion in Federal Aid for Hurricane Recovery,” Rebecca Spalding, November 13, 2017, <https://www.bloomberg.com/news/articles/2017-11-13/puerto-rico-seeks-94-billion-in-u-s-aid-for-hurricane-recovery>.

<sup>45</sup> White House, Executive Office of the President, Office of Management and Budget, Mick Mulvaney, November 17, 2017, [https://www.whitehouse.gov/sites/whitehouse.gov/files/omb/Letters/fy\\_2018\\_hurricanes\\_supp\\_111717.pdf](https://www.whitehouse.gov/sites/whitehouse.gov/files/omb/Letters/fy_2018_hurricanes_supp_111717.pdf).

the aisle. The Democratic co-chairs of the Congressional Hispanic Caucus Task Force on Puerto Rico noted that “[t]his supplemental request fails to provide sufficient funding to help Puerto Rico address immediate needs and set itself on the road to recovery.”<sup>46</sup> Senate Majority Whip John Cornyn claimed that the request was “wholly inadequate.”<sup>47</sup> Representative John Culberson, a Republican, said Ms. Kraninger’s request was “very disappointing” and “completely inadequate,” and that it displayed OMB’s “complete lack of understanding of the fundamental needs of Texans” afflicted by disaster.<sup>48</sup>

In January 2018, the House passed an \$81 billion emergency funding bill – far more than OMB requested.<sup>49</sup>

Even after receiving this additional funding, and while a humanitarian crisis was in full swing, OMB took unusual steps that severely hindered future recovery efforts. Typically, emergency supplemental funding is not counted against discretionary budget caps and does not require an offset. In other words, it has been treated as emergency spending that does not necessitate spending cuts in other areas.<sup>50</sup> But OMB’s November 17 request to Congress enumerated scores of additional cuts, including eliminating \$520 million from the Army Corps of Engineers’ flood control and coastal emergencies account – raising questions about how this would affect future resiliency planning.<sup>51</sup>

### *Poor Disaster Planning*

In her role at OMB, Ms. Kraninger oversees FEMA. A new FEMA report issued last week reveals that the agency was seriously underprepared for Hurricanes Harvey, Irma, and Maria, which severely hindered the federal response in Puerto Rico.<sup>52</sup> For instance, FEMA’s own report indicates that:

- it was understaffed at the start of the last hurricane season,<sup>53</sup> with thousands fewer workers than it required,<sup>54</sup>
- it had not achieved its targets in disaster workforce certification;<sup>55</sup>

<sup>46</sup> Congressman Luis V. Gutierrez, “CHC Puerto Rico Task Force Co-Chairs React to OMB Supplemental Request for Puerto Rico Relief Efforts,” November 17, 2017, <https://gutierrez.house.gov/media-center/press-releases/puerto-rico-task-force-co-chairs-react-office-management-and-budget>.

<sup>47</sup> New York Times, “White House Requests More Disaster Aid but Also Seeks Cuts as Deficits Rise,” Thomas Kaplan, November 17, 2017, <https://www.nytimes.com/2017/11/17/us/politics/trump-disaster-relief-hurricanes-wildfire-tax-cuts.html>.

<sup>48</sup> *Id.*

<sup>49</sup> House Appropriations Committee, “Disaster Recovery Supplemental,”

[https://appropriations.house.gov/uploadedfiles/third\\_disaster\\_supplemental.pdf](https://appropriations.house.gov/uploadedfiles/third_disaster_supplemental.pdf).

<sup>50</sup> Congressional Research Service, “Offsets, Supplemental Appropriations, and the Disaster Relief Fund: FY1990-FY2012,” William L. Painter, March 29, 2012, <https://fas.org/sgp/crs/homsec/R42458.pdf>.

<sup>51</sup> New York Times, “White House Requests More Disaster Aid but Also Seeks Cuts as Deficits Rise,” Thomas Kaplan, November 17, 2017, <https://www.nytimes.com/2017/11/17/us/politics/trump-disaster-relief-hurricanes-wildfire-tax-cuts.html>.

<sup>52</sup> FEMA, “2017 Hurricane Season FEMA After-Action Report,” July 12, 2018, <https://www.fema.gov/media-library-data/1531438753896-273f27679ba04c93301af90546abae18/2017FEMAHurricaneAAR.PDF>

<sup>53</sup> *Id.*

<sup>54</sup> New York Times, “FEMA Was Sorely Unprepared for Puerto Rico Hurricane, Report Says,” Frances Robles, July 12, 2018, <https://www.nytimes.com/2018/07/12/us/fema-puerto-rico-maria.html>.

<sup>55</sup> FEMA, “2017 Hurricane Season FEMA After-Action Report,” Report Key Finding #5, July 12, 2018, <https://www.fema.gov/media-library-data/1531438753896-273f27679ba04c93301af90546abae18/2017FEMAHurricaneAAR.PDF>

- it was unable to track the movement of resources in Puerto Rico,<sup>56</sup> failing to track the amount of aid it delivered and where it was needed;<sup>57</sup>
- it failed to address the problems it anticipated in its own disaster-planning drills, resulting in delayed food delivery to the island and then failure to get the food transported across the island;<sup>58</sup>
- it did not know the status of more than half of Puerto Rico’s hospitals and almost half the island’s wastewater treatment plants a week after the hurricane made landfall;<sup>59</sup> and
- it had far too few generators in stock to meet the needs on the island in the wake of Hurricane Maria.<sup>60</sup>

The results were tragic. Thousands of Puerto Ricans left the island for the mainland. Hundreds – perhaps thousands – more lost their lives due to the hurricane.<sup>61</sup>

Today, 10 months after Hurricane Maria hit, another Atlantic hurricane season has begun, and Puerto Rico is unprepared. Many Puerto Ricans still lack reliable electricity, and Tropical Storm Beryl recently knocked out power for tens of thousands of the island. Many people are still living in homes with tarps as roofs. Understandably, Puerto Ricans are deeply concerned that they are not prepared for the next major storm.<sup>62</sup> And the National Oceanic and Atmospheric Administration predicts a “near- or above-normal” hurricane season.<sup>63</sup>

Ms. Kraninger has been tasked with overseeing the agencies that are supposed to aid U.S. citizens who are disaster victims, but her failed oversight in the past – as indicated by the botched response to Hurricane Maria in Puerto Rico – provides no comfort about future disasters or about her ability to lead a federal agency like the CFPB.

### C. Failure to Address the Affordable Housing Crisis:

The United States is facing a catastrophic affordable housing crisis. Rents are rising all over the country, in large metropolitan areas and small communities.<sup>64</sup> Almost 19 million poor households are “cost-burdened,” meaning that they pay more than 30 percent of their incomes in rent and 11 million renters are “severely cost burdened,” meaning that they pay more than 50 percent of their incomes in

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<sup>56</sup> *Id.*

<sup>57</sup> New York Times, “FEMA Was Sorely Unprepared for Puerto Rico Hurricane, Report Says,” Frances Robles, July 12, 2018, <https://www.nytimes.com/2018/07/12/us/fema-puerto-rico-maria.html>.

<sup>58</sup> *Id.*

<sup>59</sup> FEMA, “2017 Hurricane Season FEMA After-Action Report,” Page 33, July 12, 2018, <https://www.fema.gov/media-library-data/1531438753896-273f27679ba04c93301af90546abae18/2017FEMAHurricaneAAR.PDF>.

<sup>60</sup> *Id.*

<sup>61</sup> The New England Journal of Medicine, “Mortality in Puerto Rico after Hurricane Maria,” Nishant Kishore, M.P.H, Domingo Marques, Ph.D., et al., July 12, 2018, <https://www.nejm.org/doi/full/10.1056/NEJMsa1803972>

<sup>62</sup> New York Times, “Puerto Rico Nervously Prepares for Hurricane Season: ‘What if Another One Comes?’,” Patricia Mazzei, May 14, 2018, <https://www.nytimes.com/2018/05/14/us/puerto-rico-hurricane-season.html>

<sup>63</sup> National Oceanic and Atmospheric Administration, “Forecasters predict a near- or above-normal 2018 Atlantic hurricane season,” May 24, 2018, <http://www.noaa.gov/media-release/forecasters-predict-near-or-above-normal-2018-atlantic-hurricane-season>

<sup>64</sup> United States Census Bureau, “Gross Rents Continue to Rise,” Mary Schwartz, December 07, 2017, <https://www.census.gov/newsroom/blogs/random-samplings/2017/12/rents.html>.

rent -- levels that HUD considers to be unsustainable.<sup>65</sup> That leaves precious little money left over for other necessities like food, medicine and transportation. And though there is some housing assistance available from the Federal government, it is severely underfunded, leaving more than 3 in 4 Americans who are eligible without any support.<sup>66</sup> There is also a desperate shortage of affordable housing units, especially for extremely low income borrowers, where there are 7.2 million fewer units than household.

Ms. Kraninger's position at OMB gives her budget, oversight, and planning responsibilities for HUD, and under her leadership, OMB has proposed draconian and shortsighted cuts to already inadequately funded programs and to funds that support affordable housing infrastructure. These short-term cuts would hurt families and lead to higher long-term expenditures. **The HUD budget overseen by Ms. Kraninger at OMB would make this country's affordable housing crisis even worse.**

The Housing Choice Voucher program is seen by experts across the ideological spectrum as the most cost-effective way to provide the affordable housing to those in need,<sup>67</sup> but Ms. Kraninger's FY2019 HUD budget proposal guts the program. Funding from the Housing Choice Voucher program in the 2019 budget is slashed by nearly 5 percent from 2017 levels,<sup>68</sup> resulting in 250,000 fewer people receiving vouchers and many more paying larger portions of their income in rent.<sup>69</sup>

Many of these former tenants will likely be pushed into more expensive forms of assistance. For example, a recent report released by HUD concludes that "providing housing for individuals and families who are homeless within a program exceeds the Fair Market Rent cost of providing rental assistance without supportive services" – in other words, homelessness assistance is much more expensive than Housing Choice Vouchers.<sup>70</sup> In addition, a large body of research demonstrates that households that lack access to stable housing consume more government assistance of other forms, including health care and unemployment insurance.<sup>71</sup>

Ms. Kraninger's refusal to budget for investments in affordable housing infrastructure is similarly shortsighted and will lead to higher rents for low and middle-income Americans. There is a deficit of affordable housing in every county in the country.<sup>72</sup> This also affects middle class Americans – and the extreme shortage of affordable units means that low-income renters are forced to rent more expensive apartments, driving up demand and prices for those units. This domino effect causes rents to skyrocket well into the middle class.<sup>73</sup>

<sup>65</sup> National Low Income Housing Coalition, "The Gap A Shortage of Affordable Homes," March 2018, [http://nlihc.org/sites/default/files/gap/Gap-Report\\_2018.pdf](http://nlihc.org/sites/default/files/gap/Gap-Report_2018.pdf).

<sup>66</sup> Urban Institute, "Urban Wire: Housing and Housing Finance," Ericka C. Poethig, May 28, 2014, <https://www.urban.org/urban-wire/one-four-americas-housing-assistance-lottery>.

<sup>67</sup> CATO, "Reforming Housing Assistance," Summer 2015, <https://object.cato.org/sites/cato.org/files/serials/files/regulation/2015/6/regulation-v38n2-4.pdf>.

<sup>68</sup> National Low Income Housing Coalition, "President Trump's Budget Proposes to Slash Affordable Housing and Other Essential Programs," <http://nlihc.org/sites/default/files/Trump-Budget.pdf>.

<sup>69</sup> *Id.*

<sup>70</sup> U.S. Department of Housing and Urban Development, "Costs Associated with First-Time Homelessness for Families and Individuals," March 2010, [https://www.huduser.gov/publications/pdf/costs\\_homeless.pdf](https://www.huduser.gov/publications/pdf/costs_homeless.pdf).

<sup>71</sup> Center for Budget and Policy Priorities, "Research Shows Housing Vouchers Reduce Hardship and Provide Platform for Long-Term Gains Among Children," Will Fischer, October 7, 2015, <https://www.cbpp.org/research/housing/research-shows-housing-vouchers-reduce-hardship-and-provide-platform-for-long-term>

<sup>72</sup> CityLab, "Every U.S. County Has an Affordable Housing Crisis," Tanvi Misra, April 27, 2017, <https://www.citylab.com/equity/2017/04/every-us-county-has-an-affordable-housing-crisis/524628/>

<sup>73</sup> National Low Income Housing Coalition, "The Gap A Shortage of Affordable Rental Homes," <http://nlihc.org/gap>.



But building affordable housing isn't economically feasible without subsidies.<sup>74</sup> Instead of correcting existing market failures and making modest investments in building and maintaining affordable housing, the budget developed under Ms. Kraninger's watch would instead gut housing investments, allowing existing housing assets to deteriorate and ensuring that the affordability crisis will continue to explode.

Specifically, the budget, under Ms. Kraninger's leadership, eliminated programs that help to rehabilitate public housing facilities, including the Public Housing Capital Fund<sup>75</sup> and the Choice Neighborhood program.<sup>76</sup> According to HUD, there is a backlog of \$26 billion in repairs to make public housing units decent and economically sustainable.<sup>77</sup> Throughout the country, more than 250,000 public housing units have been taken offline since the 1990s due to deferred maintenance and deterioration throughout the country, squandering a cost-effective way to provide decent affordable housing.<sup>78</sup>

Similarly, the budget would gut programs that help build new affordable housing in communities all over America – especially those in rural areas. Decades of underinvestment in construction and rehabilitations of affordable homes have significantly reduced the supply of available rental housing, increasing prices.<sup>79</sup> High development costs typically deter industry investments in building new, and rehabilitating old, homes without subsidy.<sup>80</sup>

But the HUD budget, developed under Ms. Kraninger's leadership, zeroes out most of the programs that provide support for building or rehabilitating housing. For example, funding for the HOME Program,<sup>81</sup> which has been found by the National Rural Housing Coalition to be a “vital and unique source of financing for many affordable housing development in rural communities across America,” was eliminated in the budget overseen by Ms. Kraninger at OMB.<sup>82</sup> The budget also eliminates the Community Development Block Grant,<sup>83</sup> which in addition to funding “viable urban communities” and is one of the largest economic development program in rural America via grants to smaller and less populated “non-entitlement” areas.<sup>84</sup> Under Ms. Kraninger's watch, no program is spared – the budget

<sup>74</sup> Greater George Washington, “Can anyone build affordable housing without public money?,” Andrew Fichter, August 5, 2016, <https://ggwash.org/view/42493/can-anyone-afford-to-build-affordable-housing-without-public-money>.

<sup>75</sup> White House, Department of Housing and Urban Development FY 2019 Budget Request, February 2018, p. 552, <https://www.whitehouse.gov/wp-content/uploads/2018/02/hud-fy2019.pdf>.

<sup>76</sup> *Id.* at 553.

<sup>77</sup> U.S. Department of Housing and Urban Development, “Trump Administration Proposes 2019 HUD Budget,” press release, February 12, 2018, [https://www.hud.gov/press/press\\_releases\\_media\\_advisories/HUD\\_No\\_18\\_012](https://www.hud.gov/press/press_releases_media_advisories/HUD_No_18_012); Abt Associates, “Capital Needs in the Public Housing Program,” November 24, 2018, [https://www.hud.gov/sites/documents/PH\\_CAPITAL\\_NEEDS.PDF](https://www.hud.gov/sites/documents/PH_CAPITAL_NEEDS.PDF).

<sup>78</sup> The Center on Budget and Policy Priorities, “Chart Book: Cuts in Federal Assistance Have Exacerbated Families' Struggles to Afford Housing,” Douglas Rice, April 12, 2016, <https://www.cbpp.org/research/housing/chart-book-cuts-in-federal-assistance-have-exacerbated-families-struggles-to-afford>.

<sup>79</sup> Housing Assistance Council, “Housing as Infrastructure.,” Stephen Sugg, <http://www.ruralhome.org/whats-new/blog-posts/1428-blg-housing-as-infrastructure>.

<sup>80</sup> U.S. Department of Housing and Urban Development, “Preserving Affordable Rental Housing in Rural America,” July 10, 2017, <https://www.huduser.gov/portal/pdredge/pdr-edge-featd-article-071017.html>

<sup>81</sup> White House, Department of Housing and Urban Development FY 2019 Budget Request, February 2018, p. 560, <https://www.whitehouse.gov/wp-content/uploads/2018/02/hud-fy2019.pdf>.

<sup>82</sup> National Rural Housing Coalition, “Fast Facts: Preserving Rental Housing in Rural America,” <http://ruralhousingcoalition.org/fact-sheets/>.

<sup>83</sup> White House, Department of Housing and Urban Development FY 2019 Budget Request, February 2018, p. 559, <https://www.whitehouse.gov/wp-content/uploads/2018/02/hud-fy2019.pdf>.

<sup>84</sup> Housing Policy Debate “The Role of the CDBG Program in Rural America,” Keith Wiley, May 16, 2013, <https://www.tandfonline.com/doi/full/10.1080/10511482.2013.859162?scroll=top&needAccess=true>.



also proposes legislative changes that would eliminate the Housing Trust Fund, which has a dedicated housing funding source outside the appropriations process

Likewise, the budget cuts funding for the Native American Housing and Self-Determination Act (NAHASDA) grants by 7 percent.<sup>85</sup> This grant program funds housing activities in Native communities, which are some of the hardest hit by the affordability and scarcity crisis. Overcrowding affects 16 percent of households in tribal communities and many homes are in desperate need of basic infrastructure repairs.<sup>86</sup>

Ms. Kraninger could have used her budget and oversight responsibilities to address the challenges of affordable housing, manage the crisis, and make strategic investments that will save money in the future. Instead, she has proposed slashing resources, which would only make a serious middle-class housing crisis even worse.

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<sup>85</sup> White House, Department of Housing and Urban Development FY 2019 Budget Request, February 2018, p. 553, <https://www.whitehouse.gov/wp-content/uploads/2018/02/hud-fy2019.pdf>.

<sup>86</sup> U.S. Department of Housing and Urban Development, “Housing Needs of American Indians and Alaska Natives in Tribal Areas: A Report from the Assessment of the American Indian, Alaska Native, and Native Hawaiian Housing Needs,” January 2017, <https://www.huduser.gov/portal/sites/default/files/pdf/HNAIHousingNeeds.pdf>; National American Indian Housing Council (NAIHC), “About NAIHC: Profile of Indian Country,” <http://naihc.net/about-2/>.

## CONCLUSION

Ms. Kraninger has no relevant experience in banking, finance, or consumer protection. The entire case for her nomination rests on her purported management abilities. Yet a close look at her record shows consistent mismanagement, often with devastating results for poor and vulnerable people. Her record does not justify a massive promotion to lead the federal agency charged with protecting consumers.