U.S. Department of the Treasury
Office of Public Affairs

Press Release: June 23, 2023
Contact Press@Treasury.gov

FACTSHEET: The Treasury Department Advancing Economic Opportunity for Hispanic and Latino Households, Businesses, and Communities

Advancing equity for historically underserved people and places is a key priority for the Biden-Harris Administration and for the Treasury Department. Starting from day one, President Biden signed several executive orders directing agencies to embed equity as a core component of their work. Approaching federal governance with this equity framework means using data and stakeholder input to design and implement policies that meet the needs of all Americans by addressing specific barriers experienced by those that have been historically marginalized or underserved by federal policies and programs. As reflected in the Deputy Secretary's blog on racial equity, this intentional effort to focus on equity benefits wide swaths of Americans of all races and ethnicities, and that inclusive investment leads to a stronger American economy.

These efforts align with an economic approach that Secretary Yellen has referred to as Modern Supply Side Economics, which argues that investing in human capital, infrastructure, climate resilience, and underserved communities of all kinds is one of our best tools to create strong, sustainable economic growth. Treasury has used this approach in its key role in administering the Biden-Harris Administration's most important legislative achievements. For example, Treasury implemented and administered large portions of the American Rescue Plan (ARP), which led to one of the most robust economic recoveries in modern history. The legislation particularly benefitted people of color and families with low incomes compared to previous recovery efforts – helping keep them employed, preventing eviction and home loss, and cutting child poverty in half.

Treasury is now in the process of implementing the Inflation Reduction Act (IRA) – which not only accelerates our country's ability to address climate change, but also creates American jobs as we transition to a clean-energy economy, allows Medicare to negotiate drug prices for seniors for the first time, and provides much needed funding to transform the Internal Revenue Service (IRS) to better serve taxpayers and collect the revenue needed to fund the work of government.

Beyond these historic efforts, the Department has taken meaningful steps to build the institutional capacity to maintain deep attention to addressing structural inequity in our economy. We have invited subject matter experts to inform our policy efforts, from establishing and convening the Treasury Advisory Committee on Racial Equity, to relaunching the annual Freedman's Bank Forum, to hosting the first ever Latino Economic Summit held at the Department. We also have hosted historic numbers of community listening sessions with civil and economic rights organizations that represent Hispanic, Black, Asian, Native American, and LGBTQIA+ communities, as well as small businesses, rural areas, and local governments. Finally, we established the Office of Diversity, Equity, Inclusion, and Accessibility to promote data-driven policy; support internal workplace diversity, equity, and inclusion for women, veterans, people with disabilities, and people of color; focus on civil rights compliance and mitigation; and facilitate business and procurement equity.

In this fact sheet we outline steps we have taken to address barriers experienced by Latino households, businesses, and neighborhoods and to foster an economy that unleashes the economic potential of those who have been underserved.

KEY TREASURY ACTIONS ON ADVANCING EQUITY

Investing in Hispanic Communities. *The lack of adequate investment in Hispanic and Latino communities has resulted in constrained opportunities and stark inequities. Latinos experience lower homeownership rates, house values, and rents and increased segregation in many communities. These and other differences in educational and employment opportunity have led to continued disparities for Hispanic communities in access to resources and economic advancement.*

Understanding the challenges communities across the country faced in the wake of the COVID-19 pandemic, Treasury implemented key ARP programs and initiatives with an emphasis on locally tailored, data-driven approaches to ensure critical investments reached those most at risk of not accessing these resources. In implementation, Treasury utilized delivery channels with a proven track record of reaching Latino communities and other underserved areas. Treasury is also at the forefront of implementing key provisions of the IRA that will have significant impacts on Latino communities.

- ***Building the capacity of local governments to address acute systemic barriers to health, housing, and financial well-being.*** Equitable ARP investment began with understanding which people, neighborhoods, and sectors had been most impacted by the pandemic and structural racism, and to what extent they were impacted. With State and Local Fiscal Recovery Funds (SLFRF), over 30,000 recipient governments across the country are investing $350 billion to address the unique needs of their local communities and create a stronger national economy by using these essential funds to: fight the pandemic and support families and businesses struggling with its public health and economic impacts; maintain vital public services, even amid declines in revenue resulting from the crisis; and, build a strong, resilient, and equitable recovery by making investments that support long-term growth and opportunity.

  Treasury structured the program's eligible uses to encourage recipients to address underlying disparities by including a broad menu of automatically eligible uses of funds that are designed to improve health and economic equity. The final rule also listed an expanded set of automatically eligible uses of funds when provided in disproportionately impacted communities, including funds for community health workers, housing vouchers, and high-poverty school districts.

For example, Puerto Rico's central and municipal governments received approximately $4 billion in SLFRF funds to respond to the public health and economic impacts of the pandemic, provide premium pay to essential workers, maintain vital public services, and invest in water, sewer, and broadband infrastructure. In addition, Treasury's Capital Projects Fund makes $158 million available to Puerto Rico to deliver high-speed internet access to households and businesses that currently lack internet access, including in economically disadvantaged communities and remote areas with poor and inadequate service.

As a result of the programmatic flexibility in SLFRF and an emphasis on incorporating community input into their final approach, many local areas have dramatically improved the effectiveness of their resource distribution. A study from PolicyLink reviewing 63 cities found promising examples of local governments developing investment strategies that are informed by the facts about racial and spatial inequities, including Savannah's Racial Equity and Leadership (REAL) Task Force report. And work highlighted by the Brookings Institution reiterates the importance of community input into directing resources, particularly for Latino communities

- ***Investing in CDFIs and MDIs with a track record of delivering capital to Hispanic communities and businesses.*** Treasury has deployed historic investments in Latino communities and Latino-led institutions. Through the Emergency Capital Investment Program (ECIP), for example, Treasury has invested $1.6 billion in Latino-owned and Latino-majority shareholder depository institutions. Based on preliminary analysis, we project that investments across the entire ECIP portfolio may increase lending in Latino communities by nearly $58 billion over the next decade. Treasury's Community Development Financial Institutions Fund (CDFI Fund) has also prioritized community investment efforts to address credit needs and asset-building opportunities in low-income and financially underserved communities, including for Latino borrowers and in predominately Latino communities. In April of this year, the CDFI Fund announced $1.73 billion of grant awards through the Equitable Recovery Program (ERP), which included many awards to community development financial institutions (CDFIs) that have strong track records of lending to minority borrowers and in majority minority census tracts. These ERP awards include 70 grants totaling $226 million to CDFIs in Puerto Rico to help low- and moderate-income communities recover from the COVID-19 pandemic and invest in long-term prosperity. CDFIs in Puerto Rico received the largest amount of ERP funding of any single state or territory.

  Additionally, through defining "Deep Impact" lending in ECIP and the policy priorities for the CDFI Equitable Recovery Program, we have clarified the types of lending and investment activity that may be particularly challenging for institutions to undertake, but which produce economic opportunity in the most financially underserved communities, including to minority owned businesses and minority borrowers.

- ***Supporting low-income communities' transition to clean energy and creating economic opportunity across the country through Inflation Reduction Act implementation.*** The IRA makes the most ambitious climate investment in our nation's history, with the majority of this investment made through tax incentives. These incentives include several provisions that will support climate equity, which Treasury has prioritized in its implementation. In November 2022, Treasury and the IRS issued initial guidance to help ensure clean energy projects are creating good jobs and building career pathways by triggering the IRA's enhanced incentives for projects that pay prevailing wages and employ registered apprentices. In February 2023, Treasury established the Low-Income Communities Bonus Credit Program which provides up to a 20 percent boost on top of the existing 30 percent investment tax credit for qualified wind or solar energy property in low-income communities; additional guidance was provided in May. The program will start accepting applications later this year. In June, Treasury and the IRS provided proposed guidance on elective pay and transferability. Elective pay allows communities, through tax-exempt and government entities, to take advantage of the clean energy tax credits directly for the first time, including the major Investment and Production Tax credits, as well as tax credits for electric vehicles and charging stations.

Protecting Hispanic Families' Housing and Financial Assets. *Treasury implemented the ARP mindful of the disparate impact of these crises: not only that communities of color too often bear the brunt of downturns, but also that providing broad economic support to working families will advance racial equity precisely because of the ways race, ethnicity, and economic opportunity intersect. In addition to grants and loan programs, the ARP highlighted the important role of taxes in boosting incomes and building wealth. Current efforts to modernize the IRS present a unique opportunity to connect tax filers family-sustaining benefits.*

- ***Helping Latino families to remain homeowners.*** As part of the Homeowner Assistance Fund (HAF), Treasury required recipient governments to target assistance based on data-driven assessments and community-informed plans of homeowner needs, with an emphasis on data that identifies hardships affecting socially disadvantaged individuals. These efforts have helped to produce substantially broader reach to economically vulnerable and traditionally underserved homeowners than prior federal mortgage assistance and foreclosure prevention programs: As of December 2022, 57 percent of HAF assistance had been delivered to very low-income homeowners (those earning 50 percent of area median income and below); 35 percent of HAF homeowners self-identified as Black and 20 percent self-identified as Hispanic; and 64 percent of HAF beneficiaries self-identified as female applicants.

- ***Helping Latino families avoid eviction.*** The first and second rounds of the Emergency Rental Assistance (ERA) program provided over $46 billion to states, territories, Tribal governments, counties, and cities to prevent eviction and housing instability in the wake of the pandemic. ERA was the first-ever nationwide program aimed at preventing eviction through direct assistance to renters. Among eligible renters, ERA funds were much more likely to reach those with the lowest incomes and individuals of color. As of December 2022, extremely low-income renters have received close to two-thirds of ERA assistance. Research has found that nearly one-third of rental assistance funds went to Hispanic households.

- ***Connecting Latino tax filers with the benefits for which they are eligible.*** Tax credits are a crucial part of how the Federal government supports families and workers, but many eligible families do not receive the credits they are eligible for. Treasury and IRS implemented two new tax provisions designed to ensure more eligible filers receive tax credits: Economic Impact Payments and the Advance Child Tax Credit (CTC). In both cases, Treasury used available information to quickly deliver the credits to eligible families, in most cases requiring no action on the part of the taxpayer. In the case of the Advance Child Tax Credit, tens of millions of eligible families received between $250 and $300 per child in monthly support from July to December 2021. Data released in 2022 by the Census Bureau showed that the expanded Child Tax Credit was the leading driver behind a 46 percent decline in child poverty in 2021 – cutting the annual child poverty rate to its lowest-ever recorded level including record lows in Black, Hispanic, Native American, Asian, and white child poverty.

  For Puerto Rican families in particular, the ARP broadened tax benefits at an unprecedented scale by permanently expanding the CTC in Puerto Rico from families with three children to all families with at least one child, bringing CTC benefits into parity with the mainland. In 2022, the Treasury Department and the White House engaged in extensive outreach to ensure as many families as possible in Puerto Rico received the CTC, resulting in direct assistance to more than 250,000 families, a six-fold increase over the prior year. The average benefit was $4,700 per family. Furthermore, to boost workers and small businesses across the Island, the ARP significantly expanded Puerto Rico's version of the Earned Income Tax Credit (EITC), quadrupling benefits for workers through the first-ever federal investment in Puerto Rico's EITC since the credit was established nearly 50 years ago.

Growing Hispanic-owned Businesses. *The underrepresentation of Hispanic business ownership represents a substantial obstacle toward developing a racially inclusive economy. However, Hispanic-owned business are poised for continued growth. According to recent research from McKinsey, Latinos start more businesses per capita than any other racial and ethnic group in the United States.[1] Between 2012 and 2017, the number of Latino-owned employer firms grew by 12.5 percent annually. Though the pandemic initially led to a large number of closures for minority-owned businesses, nearly one quarter of all new entrepreneurs in 2021 were Latino.[2]*

Expanding financing and technical assistance for Hispanic businesses. The State Small Business Credit Initiative (SSBCI), reauthorized and expanded by the American Rescue Plan, provides nearly $10 billion to states, territories, D.C., and Tribal governments for investments in small business to expand access to capital, to promote economic resiliency, and to create new jobs and economic opportunity. SSBCI includes $2.5 billion in funding and incentive allocations to support the provision of capital to underserved businesses and jurisdictions that succeed in reaching those businesses – with $1 billion of these funds to be awarded to jurisdictions based on their success in reaching underserved businesses. Earlier this year, Treasury approved Puerto Rico for up to $109 million in SSBCI funds to provide

[1] The economic state of Latinos in America: The American dream deferred | McKinsey
[2] Who is the Entrepreneur? New Entrepreneurs in the United States, 1996-2021 (kauffman.org)

credit and investments in small businesses. Because SSBCI is designed to crowd in up to 10 times that amount—or as much as $1 billion—in private financing.

Participating jurisdictions are generally required to collect demographic data on the business owners receiving support through the program – including race and ethnicity. This data collection will help provide transparency and accountability on who is served by the program.

- ***Doing business with Latino owned companies.*** Procurement with government agencies plays an important role for many minority-owned businesses. The Biden-Harris administration has set a goal to increase the federal government's contracts with minority-owned and small and disadvantaged businesses to 15 percent by 2025. There has been a 23 percent increase in the dollar amount of Treasury prime contracts awarded to Hispanic owned businesses since FY 2020. In FY 2020, Treasury awarded a total of $100 million to Latino-owned businesses. By FY 2022, Treasury awarded over $123 million to Latino-owned businesses. Treasury has also designated two minority-owned financial institutions as financial agents of the government.

Commitment to Data, Evidence Building, and Transparency. *Treasury has advanced research that sheds new light on program effectiveness, and has committed to collecting data by demographic wherever possible and making reports public so we can all understand who is being served and where we can improve or replicate best practice.*

- ***Published analyses showing the efficacy of Economic Impact Payments and racial disparities in tax expenditures.*** In a first-of-its-kind collaboration, Treasury, IRS, and Census researchers combined Census race data and IRS tax data, subject to stringent privacy protections, to estimate the demographics of recipients of the first round of Economic Impact Payments. The researchers found that the Economic Impact Payments (also known as stimulus payments) provided by the CARES Act reached households in historic speed and in a largely equitable way. The authors estimate that 92 percent of potentially eligible individuals received an Economic Impact Payment, which is high when compared to estimated receipt rates for other tax credits or other non-tax benefits, with limited differences across racial and ethnic subgroups. Treasury researchers also developed a method to impute race and ethnicity information using tax data and used the method to estimate the distribution of eight of the largest tax expenditures by race and ethnicity.

- ***Collecting program data by race and ethnicity.*** To the extent possible, Treasury collects data on race and ethnicity across several programs, and a goal of the Department's strategic plan is to improve Treasury's data collection and data use efforts, including providing more publicly shared and disaggregated data. Data collection and reporting by race and ethnicity is critical to determine the equitable impact of our programs and to allow for robust accountability in our efforts to advance economic opportunity for underserved people and places.