Equity Action Plan

One Year Progress Report

Department of the Treasury

April 2022

Equity Action Plan

One Year
Progress Report

EXECUTIVE SUMMARY

The Department of the Treasury's mission is to maintain a strong economy and create economic and job opportunities by promoting the conditions that enable economic growth and stability at home and abroad, strengthen national security by combating threats and protecting the integrity of the financial system, and manage the U.S. Government's finances and resources effectively.

For far too long, the economy has not worked as well as it should for many people of color. We are still living with the impacts and legacy of actions and policies that prevented Black, Hispanic, Asian American Pacific Islander (AAPI), and Native communities from building intergenerational financial security and wealth in the same way that other families have done. Treasury also understands that other underserved communities, including many rural areas and those affected by climate change face major barriers to reaching their full economic potential. Furthermore, the COVID-19 pandemic exposed and amplified long-standing disparities in health and economic outcomes, causing the pandemic to disproportionately affect people of color and members of underserved communities.

Treasury is working to ensure that families, businesses, and neighborhoods that have been historically excluded from economic opportunities or experienced persistent poverty are fully included in the nation's economic recovery and future growth. Consistent with Executive Order (EO) 13985, Treasury is building the infrastructure necessary to identify barriers to racial equity and continuously reexamine the Department's efforts to meaningfully reduce access barriers and strengthen delivery of programs and services to better reach historically underserved communities.

This report includes:

- Year One Accomplishments
- Equity Action Plans: Updates and a Look Ahead
  1. Fostering an equitable recovery that helps ensure all Americans rebound from the economic consequences of a global pandemic
  2. Capitalizing community finance partners to ensure flow of mission-driven capital to families, businesses, and neighborhoods that need it most
  3. Ensuring the tax system promotes a fair economy and all Americans receive the benefits for which they are eligible
  4. Reforming government debt collection practices to reduce burdens
  5. Expanding opportunity through procurement and contracting
- Resources Dedicated to Civil Rights
- Structure and Accountability
- A Look Ahead

Summary of Year One Accomplishments

- **Appointment of Counselor for Racial Equity:** In October of 2021, the Secretary appointed the Department's first-ever Counselor for Racial Equity. This Counselor will coordinate all offices and workstreams intended to advance equity and advise the Treasury Department on all racial equity policy issues and programs.

- **Disbursement of Economic Impact Payments/Advance Child Tax Credit Payment:** Since the passage of the American Rescue Plan (ARP), the Department worked diligently to distribute more than 170 million economic impact payments (EIPs) totaling more than $400 billion to help Americans weather the financial hardship caused by the pandemic and advancing over $92 billion in Child Tax Credit (CTC) payments to the families of more than 60 million children.
- **Emergency Capital Investment Program:** In December 2021, the Emergency Capital Investment Program (ECIP) announced $8.7 billion in investments in Community Development Financial Institutions (CDFIs) and Minority Depository Institutions (MDIs) in order to increase lending to small and minority-owned businesses, and low- and moderate-income consumers in underserved communities, including rural areas.
- **CDFI Rapid Response Program:** The CDFI Rapid Response Program provided $1.25 billion to Community Development Financial Institutions (CDFIs) to help their communities respond to the economic hardships created by the COVID-19 pandemic – offering a historic investment in institutions that reach communities that have traditionally been underserved by the financial sector.
- **State Small Business Credit Initiative:** The State Small Business Credit Initiative (SSBCI), a $10 billion program to enhance access to credit and other forms of investment for small businesses includes a $2.5 billion allocation for supporting businesses owned by socially and economically disadvantaged individuals, including those in communities of color who have historically struggled to access the capital they need to support their businesses.
- **Tribal Engagement:** Treasury has held numerous Tribal Consultations to ensure that relief funds reach Tribes quickly, and that each Tribe has the flexibility to use relief funds to respond to the COVID-19 pandemic as an extension of respect for Tribal sovereignty. Across programs, Treasury engaged over 8,600 individuals in 65 hours of consultations, information sessions, and other meetings.
- **Freedman's Bank Forum:** Held in December 2021, Treasury's Freedman's Bank Forum was reestablished as an annual event to elevate and commemorate the role of community based financial institutions, showcase Treasury's progress on its commitment to racial equity, and invite dialogue on timely topics related to building wealth among communities of color.
- **Supporting Women and Minority-Owned Businesses and Minority Depositary Institutions (MDIs)**: In Fiscal Year 2021, Treasury awarded $738 million to minority-owned businesses (without regard to size), which is 8 percent of total contract dollars, substantially above the goal of 5 percent, and $635 million to women-owned businesses (without regard to size), which is 7 percent of total contract dollars and substantially above benchmarks. Separately, Treasury also engaged a minority-owned financial institution as a designated financial agent and two MDIs as contractors to other financial agents.
- **Supporting Women and Minority-Owned Businesses**: In Fiscal Year 2021, awarded $738 million to minority-owned businesses (without regard to size), which is 8 percent of total contract dollars, substantially above the goal of 5 percent, and $635 million to women-owned businesses (without regard to size), which is 7 percent of total contract dollars and substantially above benchmarks.
- **Departmental Strategic Management Processes:** Treasury has successfully incorporated equity discussions into the budget formulation cycle and into strategic quarterly organizational performance reviews. The Budget and Strategic Planning Offices will continue to assess these areas as part of the annual performance and budget cycle.

Equity Action Plans: Updates and a Look Ahead

1. *Fostering an equitable recovery that helps ensure all Americans rebound from the economic consequences of a global pandemic*

The ARP is a $1.9 trillion package of which more than $1 trillion is managed by Treasury to jumpstart the nation's economic recovery. The pandemic exacerbated longstanding racial health and economic disparities. Black, Hispanic, and Native Americans were more likely to be infected, hospitalized, or die from COVID-19 than their white counterparts.[1] Communities of color also carried a double burden in this pandemic: both more likely to work in essential, frontline roles with a higher risk of exposure and more likely to lose those jobs as the pandemic caused the economy to contract.[2] [3] History has shown that downturns often hit communities of color hardest while recovery often comes much slower than for the rest of the population. As an example, in the aftermath of the Great Recession, while median white household wealth began to recover from 2010 to 2013, Black household wealth fell another 23 percent during this period.[4] These disparities and the harms that flow from them matter for all Americans because the exclusion of communities of color from the ladder of economic opportunity holds back economic growth for the entire country. According to a report from McKinsey & Company, taking meaningful steps to close the racial wealth gap could increase the U.S. Gross Domestic Product by 4 to 6 percent by 2028.[5]

Emergency Rental Assistance

A. Potential Barriers to Equity

Leading into the pandemic, Black and Hispanic households experienced a disproportionate risk of eviction. Over half of Black (54 percent) and Hispanic (52 percent) renter households were rent burdened (paying more than 30 percent of their income toward rent) in 2019, as compared with 42 percent for Asian and White households.[6] As state and federal eviction moratoria lifted throughout the country by September of 2021, the first-ever national Emergency Rental Assistance program became a lifeline for millions of tenants across the country. Implementation strategy became essential to ensuring the program reached the historically underserved and most vulnerable households.

B. Action in Progress

In 2021, Treasury Department guidance allowed for flexibility in the application and approval process for rental assistance, which enabled more than $25 billion to be distributed or obligated across 3.8 million payments to renters and landlords, with the over 80 percent of funds going to the lowest-income Black and Hispanic/Latino households. Treasury encouraged grantees to partner with community-based organizations, tenant organizations, promotors,[7] or trusted community leaders to increase awareness and provide tenants with application assistance, among other interventions. Treasury also encouraged, and most grantees have incorporated, Spanish-language translation services into their application processes, with some grantees offering support in multiple additional

1 https://www.cdc.gov/coronavirus/2019-ncov/covid-data/investigations-discovery/hospitalization-death-by-race-ethnicity.html

2 https://www.urban.org/sites/default/files/publication/103278/how-risk-of-exposure-to-the-coronavirus-at-work-varies.pdf

3 https://sgp.fas.org/crs/misc/R46554.pdf

4 https://www.brookings.edu/blog/up-front/2020/12/08/the-black-white-wealth-gap-left-black-households-more-vulnerable/

5 https://www.mckinsey.com/industries/public-and-social-sector/our-insights/the-economic-impact-of-closing-the-racial-wealth-gap

6 JCHS 2022, Eviction Lab

7 A promotora is a lay Hispanic/Latino community member who receives specialized training to provide basic health education in the community without being a professional health care worker.

languages. Working with the U.S. Digital Service, Treasury has conducted outreach to incorporate the perspective of diverse recipients in program guidance to ensure that it incorporates strategies that advance equity. Treasury is continuing this work of understanding the experience of tenants, landlords, grantees, and other stakeholders to identify remaining barriers to access for underserved communities.

C. Looking Ahead

Treasury is actively seeking feedback from rental assistance beneficiaries through meetings with advocacy groups, associations, and other stakeholders. USDS and Treasury are looking specifically at the issues of application usability and access for ERA, as well as the integration of housing support services. Insights from these discussions will inform Treasury's implementation of the program, including the issuance of additional guidance and FAQs and the publication of "promising practices" on Treasury's website.

This work has also highlighted the importance of strategies to support long-term eviction prevention programs, including right-to-counsel and eviction-diversion programs that reform the harmful eviction system. Treasury will continue to encourage grantees to use housing stability funds for these purposes and to work toward long-term adoption of interventions to mitigate housing instability. However, given the limits on ERA spending, additional funding sources will need to be identified to sustain the interventions and ensure housing stability.

D. Assessing Impact

In 2021, Treasury issued guidance regarding monthly and quarterly reporting that included the number of households served, spending rates, demographics, and housing stability spending. Given the first-time nature of the ERA program and the rapidly evolving public health crisis, Treasury requested monthly updates from grantees to help identify trends and issues as early as possible. In addition, the Legal Services Corporation and the Eviction Lab at Princeton University began providing partial data on eviction filings in many of the jurisdictions administering ERA. Collectively, these data were critical to informing early course corrections and helping the Administration understand where to apply more attention and how best to support grantees. Over time, the data revealed a successful effort to rapidly disburse resources to address the eviction and housing crisis.

Homeowner Assistance Fund

A. Potential Barriers to Equity

Prior to the pandemic, increasing housing costs and stagnant wages were already making it difficult for families to keep up with monthly bills, often leaving them a paycheck away from crisis.[8] The Homeownership Assistance Fund (HAF) provides up to $9.961 billion for Treasury to make payments to states, U.S. territories, Indian Tribes or Tribally Designated Housing Entities (TDHEs), and the Department of Hawaiian Home Lands (DHHL) to mitigate financial hardships associated with the coronavirus pandemic, including for the purposes of preventing homeowner mortgage delinquencies, defaults, foreclosures, loss of utilities or home energy services, and displacements of homeowners experiencing financial hardship after January 21, 2020, through qualified expenses related to mortgages and housing. HAF participants must (1) use at least 60 percent of funds for homeowners with income at or below 100 percent of area median income or median U.S. income, and (2) prioritize the remainder for "socially disadvantaged individuals" whose ability to purchase or own a home has been impaired due to diminished access to credit on reasonable terms as compared to others in comparable economic circumstances.

8 Kyle J. Casewell and Stephen Zuckerman, Food Insecurity, Housing Hardship, and Medical Care Utilization, Urban Institute (June 2018), available at https://www.urban.org/sites/default/ files/publication/98701/2001896_foodinsecurity_housinghardship_medicalcareutilization_finalized.pdf.

B. Action in Progress

In 2021, Treasury released 10 percent of each participant's HAF allocation to implement pilot programs and worked with state and Tribal participants on development of their HAF implementation plans. Treasury solicited input from a wide set of stakeholders to inform its approach to HAF, including to understand the impact on racial equity and on underserved communities. With this input in mind, Treasury has required participants to structure their programs to effectively target eligible homeowners based on data-driven assessments of homeowner needs. Participants must also provide data about financial hardships of target homeowners and socially disadvantaged individuals, including disaggregated characteristics of the targeted population such as income ranges, racial and ethnic demographics, and/or geographic areas (including rural communities), as appropriate for the relevant jurisdiction.

C. Looking Ahead

As an increasing number of states have launched their full HAF programs. The expanded deployment of HAF program resources across the country is timely considering the increased awareness concerning foreclosures as government issued moratoria has expired As these programs evolve, Treasury will continue to monitor developments in the implementation of HAF programs, elevate innovative practices that support equity, and proactively offer technical assistance in program stand-up and the development of innovative strategies to effectively support vulnerable homeowners. Lessons learned from other emergency housing programs to support equity and accessibility will support the development of these resources, including promising practices related to outreach to socially disadvantaged communities and reducing program barriers.

D. Assessing Impact

Since Treasury has encouraged grantees to offer support through HAF as a suite of potential solutions to homeowners, measurement of program outcomes must consider program outputs and broader economic indicators of program outcomes within each geography. HAF participants are required to submit quarterly reports and a more detailed annual report to Treasury that include financial data, targeting data and measures of program impact. Local foreclosure rates and other economic indicators will also continue to inform how HAF programs be stemming foreclosures, identify foreclosure hotspots where more resources may be needed, and track outcomes for the longer term.

State and Local Fiscal Recovery Funds

A. Potential Barriers to Equity

During the pandemic, state, local, and Tribal governments faced challenges, as they worked to meet the public health and economic needs of their communities while also confronting the need to rebuild their capacity. While the pandemic affected communities across the country, it disproportionately impacted certain demographic groups and regions, exacerbating health disparities along racial, ethnic, and socioeconomic lines.[9] To support the continued response to and recovery from the pandemic, the ARP delivered $350 billion through the Coronavirus State and Local Fiscal Recovery Funds (SLFRF) to states, territories, metropolitan cities, counties, non-entitlement units of local government, and Tribal governments. Given the wide variety of circumstances facing recipient governments, the statute and Treasury's implementing regulation and guidance offer considerable flexibility to enable jurisdictions to meet their unique needs. At the same time, Treasury has worked to balance this flexibility with the risk that the underserved populations could be overlooked as jurisdictions move rapidly to use funds to meet local needs.

9 Centers for Disease Control and Prevention, COVID Data Tracker, https://covid.cdc.gov/covid-data-tracker/#health-equity-data (last visited February 14, 2021).

B. Action in Progress

The final rule for the SLFRF program has strong equity provisions, including allowing broader funding uses specifically for individuals and communities that were disproportionately impacted by the public health and negative economic impacts of the pandemic to address preexisting disparities that amplified the pandemic's impact on underserved communities. Treasury has identified a wide range of programs, services, and capital expenditures that are eligible uses of funds to serve disproportionately impacted households and communities, including eligible uses that address the root causes of preexisting inequities. For example, housing vouchers and education services to address academic, social, emotional, and mental health needs are eligible uses when provided to disproportionately impacted households and communities. In addition, recipient governments may identify additional disproportionate impacts of the pandemic and design appropriate responses to address that harm. The Department also hosted a webinar for recipient governments focused on equity in the SLFRF program, addressing topics such as defining equity, assessing disparate impacts in communities, and considering ways to address equity gaps.

C. Looking Ahead

To aid recipients' planning on how to use funds, Treasury will highlight examples of projects focused on eligible uses and projects focused on equity and will conduct recipient outreach to share these example projects. State, local, and Tribal government leaders and stakeholders are intensely focused on implementing their SLFRF programs and how they can use these funds to advance equitable outcomes in their communities – and Treasury has and will continue to use all available tools to support these governments' equitable uses of SLFRF funds.

D. Assessing Impact

The Compliance and Reporting Guidance for the program also includes reporting parameters related to equity. In the Project and Expenditure reports, recipients will provide information about the impacted and disproportionately impacted communities they are serving with projects under the public health and negative economic impact eligible use category. In the Recovery Plans (required of the largest recipients, who account for approximately three-quarters of the total funds), recipients reported on how they plan to incorporate equity and community engagement in their spending plans. Treasury will collect Project and Expenditure reports from all recipients in April 2022. In addition, the largest recipients will provide additional information in the next Recovery Plans, due in July 2022. Treasury has committed to sharing data from reports submitted by recipients to support transparency and accountability.

2. Capitalizing community finance partners to ensure flow of mission-driven capital to families, businesses, and neighborhoods that in need it most

CDFIs and MDIs play a crucial role in providing credit, capital, and financial services to low- and moderate-income and minority communities in urban and rural areas that have been historically underserved by mainstream banks. MDIs, including depository institutions where 51 percent or more of the stock is owned by socially and economically disadvantage individuals, have a long history of lending to communities of color. CDFIs and MDIs provide capital for small business growth, affordable housing preservation and development, in addition to retail and other banking services. While CDFIs and MDIs often serve as critical community partners both in everyday financial services and during disaster recovery, they often lack the capacity and capital to scale their efforts. CDFIs and MDIs often make smaller loans and work with borrowers who might require more time-intensive and personalized technical support. Disparities in mainstream lending during the COVID-19 crisis highlighted how CDFIs and MDIS fill market gaps where traditional institutions fail to get capital to historically disinvested communities.

In addition to the programs in progress listed below, later this year the CDFI Fund will begin the process to deploy the Minority Lending Program which will provide additional resources ($1.75 billion) to support lending in minority communities and minority lending institutions.

State Small Business Credit Initiative (SSBCI)

A. Potential Barriers to Equity

The pandemic exposed and exacerbated a number of inequities in America, including those involving small businesses and jobs.[10] Underserved communities have long lacked access to capital, and there have been significant long-standing gaps in entrepreneurial financing between groups.[11] The SSBCI program is intended to provide small businesses with access to capital to promote long-term, robust, equitable growth. The program has a $1.5 billion allocation for Socially and Economically Disadvantaged Individuals (SEDI)-owned businesses, as well as a $1 billion incentive fund for jurisdictions that show strong support for SEDI-owned businesses. The sum of these allocations is more than the total funding for the first SSBCI program in 2010. The program will also provide over $600 million in allocated funds to Tribal governments, which were consulted during the policy design process.

B. Work in Progress

Treasury issued program guidance to eligible states, Tribes, and territories in November 2021 and final applications are due February 11, 2022. As part of their application, Treasury requires jurisdictions to present a plan for expanding access to capital for underserved communities and to expend funds for SEDI-owned businesses. In addition, eligible jurisdictions must state how they will drive private capital to leverage SSBCI funds to benefit underserved communities. Treasury aimed to raise awareness for SEDI-owned businesses in historically underserved communities through briefings, webinars, virtual office hours, and a range of outreach in collaboration with Treasury's Counselor for Racial Equity and interagency partners. SSBCI has allocated $2.5 billion of capital program funding to support and incentivize reach to SEDI-owned businesses, including $1.5 billion to be expended for these businesses and an additional $1.0 billion in incentive funding for jurisdictions that have demonstrated robust support for these businesses. Treasury has also conducted extensive Tribal government outreach, including a consultation, listening session, more than 20 information sessions, weekly Tribal government office hours, and one-on-one communication with Tribal governments. Based on this extensive engagement, 415 Tribes submitted a Notice of Intent to apply for SSBCI funds. Applications from Tribes are due May 11, 2022.

C. Looking Ahead

SSBCI will review applications from states, the District of Columbia, and territories while assisting tribal governments in completing their applications. Treasury also plans to deploy $500 million to support technical assistance that will build a pipeline of diverse SEDI entrepreneurs with the hope these business owners can qualify for SSBCI-enabled financing. Technical Assistance plans can provide small businesses and SEDI businesses with financial advisory, legal, accounting services.

D. Assessing Impact

Treasury is developing impact reporting guidance for participating jurisdictions. Key performance indicators are still in development, but Treasury aims to understand the program's reach and impact in addressing a capital gap for SEDI-owned businesses.

---

10 Robert Fairlie, The impact of COVID–19 on small business owners: Evidence from the first 3 months after widespread social-distancing restrictions, Journal of economics & management strategy (August 27, 2020), https://doi.org/10.1111/ jems.12400.

11 Robert Fairlie, A. Robb, D. Robinson, Black and White: Access to Capital among Minority Owned Startups, NBER Working Paper 28154 (November 2020), https://www.nber.org/papers/ w28154

Emergency Capital Investment Program

A. Potential Barriers to Equity

The Emergency Capital Investment Program (ECIP) is designed to build the capacity of CDFIs and MDIs to drive impact capital to communities that struggled the most during COVID-19. CDFIs and MDIs are typically unable to access traditional capital markets like mainstream banks to scale their lending activity and operations. MDIs often have significantly less capital than other financial institutions, limiting their opportunity for growth, market expansion, or discretionary capital to make improvements to technology and operating systems. ECIP marks an unprecedented investment that will strengthen CDFIs and MDIs and position these institutions to make new loans to promote inclusive economic development as the economy recovers.

B. Action in Progress

In March 2021, Treasury announced the application process for the Emergency Capital Investment Program (ECIP), an $8.7 billion program designed to support access to capital in communities traditionally excluded from the financial system and that have struggled the most during the COVID-19 crisis. The program allows Treasury capital to be invested directly in depository CDFIs and MDIs to build capacity and scale the provision of loans, grants, and forbearance for small and minority businesses and consumers in low-income communities. The program sets aside $2 billion for participants with less than $500 million in assets and an additional $2 billion for participants with less than $2 billion in assets. The funding will provide long-term, low-cost equity and subordinated debt for participating institutions. Treasury received applications from 204 credit unions, banks, and bank and savings and loan holding companies that requested total investments of over $12.88 billion through ECIP. This demand exceeded the amount available through ECIP by $4.13 billion.

On December 14, 2021 Treasury announced that 186 CDFIs and MDIs were approved for a total of $8.7 billion of capital investments through ECIP, ranging from less than a million to over $200 million in long term capital. Of the total $8.7 billion, Treasury approved $3.1 billion to MDIs. The recipient institutions are headquartered in 36 states, Washington D.C. and Guam.

C. Looking Ahead

Treasury is in the process of deploying the capital to the approved applicants. Treasury intends for this program to respond to economic challenges created by COVID-19 pandemic and to support access to capital particularly supporting underserved communities. Over the long term, Treasury expects the program will strengthen the viability of the CDFIs and MDIs, sustaining their role as important vehicles for fostering access and inclusion in low-income and traditionally underserved communities. Treasury's investments in participating institutions will be at a capped low-cost dividend or interest rate, with no dividends or interest payable or accruing during the first 24 months after issuance and with the ability for recipients to access a lower payment rate depending on their growth in lending to minority, rural, and urban low-income and underserved communities and to low- and moderate income borrowers. This structure provides an incentive for impactful lending to serve vulnerable communities and to maximize lending reach and impact. In addition, Treasury has developed additional "deep impact" metrics to further incentivize targeted investments by participants in those communities most in need of capital.

D. Assessing Impact

Treasury is developing and releasing guidance to implement the ECIP and will require reporting from the selected recipients. Prospective ECIP applicants provided their plans to expand or maintain significant lending or investment activity in minority and low- and moderate- income communities, which was used to evaluate applications. Treasury will be able to use the future reporting to evaluate a ECIP recipient's engagement with fulfilling the needs of consumers.

3. *Ensuring the tax system promotes a fair economy & all Americans receive the benefits for which they are eligible*

A fair and equitable tax system is essential to promoting a stronger economy that works for all Americans. In Treasury's initial equity review, the Department identified a need to better understand the distribution of EIPs by demographic characteristics, including race and ethnicity, to determine the effectiveness of outreach activities to underserved communities. As a follow up to this initial review, the Department has identified the CTC, the Earned Income Tax Credit (EITC), and the Child and Dependent Care Tax Credit as another domain to review for potential barriers to equitable access and has taken steps to ensure non-filers are able to receive this critical support. During the pandemic, the federal government looked to the Internal Revenue Service (IRS) to distribute hundreds of billions of dollars in financial support to American families through Economic Impact Payments. Most of the EIPs were provided automatically to those whose eligibility could be determined using prior year tax return information. This strategy could have left out millions of lower-income individuals, who are disproportionately people of color, who are not required to file tax returns. To address this challenge, Treasury and the IRS partnered with other federal agencies and community organization, ultimately making more than 26 million payments to those who were not required to file tax returns in 2019 or 2020.

An analysis of how the tax code affects different race and ethnic groups is central to understanding the consequences, both intended and unintended, of the nation's tax laws. This improved understanding can be used to shape tax policy design at the inception of legislative efforts and to better implement current laws. For example, if the Department found that certain tax credits are more accessible to some groups than others, that information can be used to better target taxpayer outreach. Or, if some tax preference systematically disadvantaged certain groups, that information can guide efforts at tax reform.

A. Potential Barriers to Equity

A detailed analysis of taxation equity requires reliable data on the race, ethnicity, gender, and other demographic characteristics of individual taxpayers. Treasury's Office of Tax Policy (OTP) is working to develop a general and reliable empirical methodology for analyzing the racial/ethnic equity implications of tax policy and tax administration questions, which could ultimately enable a better understanding of the effectiveness and equity of a variety of tax provisions.[12] Because data on race and ethnicity are not collected as part of the tax system, OTP is working with agencies across the federal government to pursue several approaches simultaneously. These include: 1) trying to develop reliable methods to impute race and ethnicity for tax data, 2) partnering with other data producers to obtain microdata on race and ethnicity that can be used to validate the statistical imputations when legally feasible, and 3) when microdata cannot be obtained, partnering with data producers to obtain aggregated data that include race and ethnicity for possible analysis and to validate imputations.

B. Action in Progress

Treasury has made progress in developing sound methods to impute demographic data. In addition, Treasury and the IRS are examining whether and how eligible adults and families received an EIP and is estimating equity impacts of an outreach campaign about such payments. Once this work is completed, Treasury will publish statistics on the composition of EIP recipients, including estimates of race and ethnicity and other demographic characteristics, being careful to follow long-standing data protection protocols to prevent disclosure of taxpayer information.

C. Look Ahead

Treasury anticipates initial results on the first and second round of EIPs in 2022, with results on the third round in 2023.

12 Advancing Equity Analysis in Tax Policy | U.S. Department of the Treasury

CTC and EITC

A. Potential Barriers to Equity

Under the ARP, the amount of the CTC was increased to up to $3,600 per year for children aged five and under and up to $3,000 for children aged six to seventeen for 2021. The value of this investment in our children will only grow over time: Economists have estimated that the ARP's expansion of the CTC will cost roughly $100 billion while generating about $800 billion in benefits.[13] Recognizing the critical importance of CTC and EITC, Treasury has been working with other partners in government to increase public awareness of these benefits for eligible households, including many households of color. These steps have included promoting childtaxcredit.gov as a means to help individuals and families access accurate information about the CTC and EITC.

B. Action in Progress

In 2021, the IRS engaged in extensive communications and education efforts to reach non-filers, with a special focus on reaching underserved and non-English speaking communities. As part of this effort, the IRS hosted free tax preparation days in nearly 30 cities across the country in June and July 2021, participated in more than 250 partner events on CTC, and developed online materials and toolkits. In December 2021 and January 2022 IRS sent letters taxpayers who received EIPs and/or advance CTC payments to provide information on how to file their tax returns and claim the remaining credits for which they are eligible. Particularly important in these efforts was the development of the ChildTaxCredit.gov website. The project was intended to provide a more plain-language source of information for taxpayers on a trusted .gov domain and guide potential beneficiaries to reliable, free tax filing resources. Feedback on our outreach efforts in 2021 indicated that the imprimatur of a .gov site was an important feature when people were looking for information that they could trust about the new and expanded tax credits available through the ARP.

In addition, shortly after the enactment of the ARP, Treasury and the IRS published guidance that authorized simplified tax return filing procedures which allowed the Free File Alliance to provide a "Non-Filer" tool starting in June 2021 and maintain it through the end of filing season in 2021. A third-party non-profit, Code for America (CfA), also developed a simplified filing tool for lower-income taxpayers that went online in August 2021. After the rollout of the Free File Alliance Non-Filer tool and the launch of a third-party CfA tool, Treasury staff helped conduct more than 40 navigator trainings in 2021, which provided training for more than 7,000 potential CTC navigators in English and Spanish. Due to Covid restrictions, these were held virtually in partnership with non-profit organizations and federal agency partners. Treasury and the IRS have issued similar guidance this year, allowing simplified filing tools for low-income individuals to come online after the close of filing season.

C. Looking Forward

Treasury is leveraging the insights gained from outreach and engagement on multiple rounds of EIPs and the advanced CTC payments to inform its approach to the 2022 tax filing season, and in particular the best way to reach those that are not required to file federal taxes and infrequent filers. Recipients of advance CTC payments are eligible to receive the second half of their benefit, and potentially millions of eligible taxpayers who did not receive advance payments in 2021 are eligible to receive the full benefit, so continued outreach is paramount. In addition, many families in Puerto Rico are eligible for the full CTC benefit for the first time. However, since historically few residents of Puerto Rico have been required to file federal taxes, communicating the availability of the benefit, and ensuring access will require significant engagement. Treasury will work with the CTC coalition and advocacy organizations to ensure the approach meets the needs of the communities.

13 Child-Allowance-CBA-Brief-CPSP-August-2021.pdf (squarespace.com)

D. Assessing Impact

Treasury is committed to understanding the impact of CTC awareness efforts. Following the conclusion of the tax filing season the Department will continue to engage with community organizations, state and local governments, and other federal agencies to listen and receive feedback on the impact and efficiency of outreach efforts; work with VITA providers and philanthropic supporters to understand efficacy of their activities; coordinate with IRS to share, to the extent possible, information on volume and amount of returns flowing to LMI families; coordinate with external researchers in an effort to understand what external data may be able to tell us about the program and its impact. The Department will also leverage insights from EIP analysis to examine opportunities to further strengthen future outreach and disbursements areas.

4. Reforming government debt collection practices

At the end of FY 2021, the outstanding amount of non-tax receivables (debts) owed to the United States was $2.1 trillion. These receivables included loans to students, small business owners, homeowners, farmers, and veterans. They also included administrative non-tax receivables, including fines and penalties, overpayments, and fees. Most Americans pay their debts on time. However, at the end of FY 2021, *delinquent* non-tax debt owed to the federal government totaled $197.7 billion. The collection of delinquent debts helps fund government operations, maintain key programs, and reduce the federal deficit. Therefore, it is important to continually find ways to cost-effectively collect the delinquent debt owed to the government while providing debtors with due process and the opportunity to repay debt in accordance with their financial ability.

The Bureau of the Fiscal Service (Fiscal Service) helps federal agencies collect delinquent nontax debts owed to them. Pursuant to the Debt Collection Improvement Act of 1996 and other federal laws, federal agencies generally must transfer non-tax debts delinquent more than 120 days to the Cross-Servicing program[14] and the Treasury Offset Program (TOP).[15] In addition to administering these debt collection programs, Fiscal Service also issues debt collection guidance to federal agencies, in partnership with the Department of Justice, through the Federal Claims Collection Standards (FCCS). The FCCS prescribe standards for the administrative collection, compromise, and the suspension or termination of collection activity for federal non-tax debts. They also prescribe standards for referring claims to the Department of Justice.

A. Potential Barriers to Equity

Because both the Cross-Servicing program and TOP are governmentwide programs that affect a wide array of agencies and individuals, it is important to evaluate whether these programs have standards in place to promote equitable outcomes in federal debt collection. Likewise, because the FCCS provide rules and guidance to all federal agencies on the collection of federal nontax debts, the FCCS are also important to analyze because agency programs which rely on the FCCS to inform their debt collection practices may disproportionately affect some historically underserved communities.

B. Action in Progress

Along with the Department of Justice, Fiscal Service continues to work with federal agencies to examine potential reforms in debt collection practices, particularly through changes to the FCCS. The FCCS describe when debtors

14 Through the Cross-Servicing program, Fiscal Service uses a variety of tools to collect debts, including garnishing wages administratively, referring debts to TOP, reporting debts to credit bureaus, and referring debts to private collection contractors.

15 TOP matches people and businesses who owe delinquent debts with money federal agencies are paying (for example, tax refund payments). To the extent allowed by law, when a match happens, TOP withholds (offsets) money to pay the delinquent debt.

can be offered compromise or installment agreements; the terms of those agreements; how interest, penalties, and costs are assessed; matters related to communicating with debtors; the use of private collectors; when agencies may or must pause or end their collection efforts; the standards for referring claims to the Department of Justice; and other debt collection matters. The FCCS also provide agencies with flexibility to adopt agency-specific regulations, tailored to the legal and policy requirements applicable to the various types of federal debt, to maximize the effectiveness of federal debt collection procedures.

C. Looking Ahead

In examining the FCCS, Fiscal Service will seek to determine the extent to which regulatory changes could be made to help promote more equitable outcomes. As part of its ongoing outreach efforts, Fiscal Service will engage with creditor agency stakeholders to identify issues of equity for underserved communities within their debt portfolios and to determine appropriate steps that could be taken to address those issues.

Fiscal Service will also examine whether there are ways to improve communication with debtors once they are referred to Cross-Servicing and/or TOP, including by determining whether to expand language options, how to present information more clearly, and how to better educate debtors about their rights to dispute or resolve debts when they disagree with or have an inability to pay their debts. For example, TOP's Interactive Voice Response (IVR) system is currently available to debtors who have questions about their debt, but it currently only provides options for English, Spanish, and Telecommunications Devices for the Deaf line services. The Fiscal Service website provides the public with information including how Cross-Servicing and TOP work and links to other government websites. The website is only available in English. Fiscal Service is determining if additional options are needed to expand the TOP IVR and Fiscal Service website. In the context of its Cross-Servicing program, Fiscal Service will also determine whether it is using the most appropriate process to determine financial hardship and whether it can standardize processes to promote equitable outcomes.

D. Assessing Impact

Fiscal Service will continue to establish project timelines and specific milestones for this work as part of its established roadmap process. It will also work to manage these actions consistent with the Department of Treasury's FY 2022-26 Strategic Plan. Fiscal Service will also continue communication with creditor agencies through regularly scheduled engagement meetings and quarterly calls to maintain information sharing with our federal agency partners regarding equity discussions.

5. *Expanding opportunity through contracting and procurement*

Since the submission of the 200-day Progress Report, Office of Management and Budget (OMB) released Memorandum M-22-03, Advancing Equity in Federal Procurement, which identified five management actions agencies must take to advance equity. In response, senior leaders chartered the Treasury Procurement Equity Council (TPEC). The TPEC consists of members the Office of the Procurement Executive (OPE), Office of Small and Disadvantaged Business Utilization (OSDBU), Office of Minority and Women Inclusion (OMWI), Office of Civil Rights and Diversity (OCRD), Office of Strategic Planning and Performance Improvement (OSPPI), Office of Chief Information Officer (OCIO), and every bureau procurement office.

A. Potential Barriers to Equity

In the 200-day Barrier Assessment Report, Treasury identified three areas to assess to increase opportunities for small businesses and underserved communities to have access to Treasury contracting opportunities: (1) whether the Government-wide use of category management contracts impacts opportunities for members of underserved and disadvantaged businesses to compete for Treasury's contracts, especially in our Small Business Administration

(SBA)-mandated goaling areas; (2) whether additional technical assistance and outreach is needed to advance equity in Treasury's contracting and procurement efforts; and (3) whether there are missed opportunities in Treasury's contracting to use small business set asides.

B. Action in Progress

Treasury has made real progress on fostering an environment to advance equity in federal procurement. The Department revised category management and related acquisition policies to prioritize equity and supplier diversity instead of focusing exclusively on contracting efficiency and savings. Treasury worked with the Small Business Administration (SBA) to set Treasury's fiscal year 2022 minimum small business goal of 39 percent (of its annual eligible small business dollars), with 10 percent to small-disadvantaged businesses, 5 percent to women-owned small businesses, 3 percent to service-disabled veteran-owned small businesses, and 3 percent to small businesses in historically underutilized small business zones. The Department is also collaborating with the SBA and OMB to define "new entrant" and employ tracking mechanisms to measure improvement in attracting new entrants to Treasury procurement. Treasury conducted or participated in 24 outreach events, joint industry days, webinars, and matchmaking sessions to encourage new entrants to Treasury procurement space, capture new and advanced technologies, and increase the procurement readiness of those businesses wanting to know how to do business with Treasury.

Treasury is also identifying ways to reduce barriers to its designation of financial institutions as financial agents of the government, a process that is not governed by the Federal Acquisition Regulations. In FY21, Treasury engaged a Minority Depository Institution (MDI) as a Treasury-designated financial agent and is working with two MDIs as contractors to other financial agents. Treasury began revising its Financial Agent Selection Procedure (FASP) documentation to improve opportunities for small financial institutions to compete for financial agent services and drafted changes to its standard Financial Agent Agreement clauses to gain insight into the use of small businesses as contractors by financial agents.

C. Looking Ahead

Treasury is planning to deploy a new electronic scorecard tool of Diversity, Equity and Inclusion (DEI) status across Treasury that includes data on procurement equity, and has planned additional outreach events for new entrants and businesses in underserved communities in conjunction with the SBA, the Council on Underserved Communities, minority chambers of commerce, disabled business groups, LGBTQ+ businesses organizations, the Minority Business Enterprise Agency, and other stakeholder entities. The TPEC's work continues to identify actions that advance equity and remove barriers for participation in Treasury procurement and replicate those actions across all Treasury bureaus.

Treasury also plans to expand the Treasury Bank Mentor-Protégé program, which consists of five financial agent mentor institutions that are voluntarily assisting 13 protégé institutions.

D. Assessing Impact

The TPEC prioritizes these and other planned actions to advance procurement equity using a logic model to drive outputs and outcomes that support the Administration's goals around equity. These actions will increase equity in procurement at Treasury by removing barriers to entry for underserved businesses, increasing opportunity for these businesses to participate in Treasury procurement, and helping identify underserved businesses to fill Treasury's procurement requirements.

Treasury will track near- to mid-term (1-4 years out) progress by monitoring small business achievement in all categories of contracting and subcontracting. Specifically, Treasury will track SDB achievement in FY 2022 to support the Government-wide goal of 11 percent in FY 2022 and 15 percent by FY 2025; and contracting with minority-owned, women-owned, and new entrant businesses against relevant benchmarks. Finally, the TPEC will review and update progress by tracking outputs and outcomes that support equity goals.

Equity achievement will be included in organizational quarterly performance reviews at the bureau level and aligned within the FY 2022-2026 Treasury Strategic Plan. Transparency of progress toward equity goals (procurement and non-procurement) will increase through dashboards and reporting, and the TPEC will adjust implementation plans according to metrics collected through these mechanisms.

Resources Dedicated to Civil Rights Enforcement

Title VI of the Civil Rights Act requires federal agencies to conduct pre- and post-award compliance reviews and investigate and adjudicate any complaints alleging discrimination in its programs responsible for disbursing federal financial assistance. Due to the increase in federal financial assistance that Treasury began providing under ARP, the Office of Civil Rights and Diversity (OCRD) requested and received the approval for additional staff to meet the new civil rights compliance obligations. As part of OCRD's post-award civil right compliance reviews, the Department will be able to determine if funds have been distributed equitably and are reaching its intended recipients, members of underserved communities. OCRD is also available to provide recipients of federal financial assistance with technical assistance on civil rights compliance.

Structure and Accountability

Treasury's FY 2022-2026 Strategic Plan includes specific goals and objectives for advancing equity across mission areas and in Treasury's operations. Equity is identified as a cross-cutting theme in 15 of 19 objectives in the Treasury FY 22-26 Strategic Plan. Additionally, strategies to mitigate long-term disparities in economic outcomes and promote equitable growth as well as measures to track progress towards these objectives are embedded throughout the plan. By elevating equity in the Strategic Plan, Treasury is emphasizing the organizational importance of this work and holding itself accountable through the regular accountability process, including quarterly and annual organizational performance review sessions. Treasury seeks to promote a culture of evidence-building and continuous learning by integrating evidence-building plans into our strategic plan. During the strategic planning process, Treasury leaders developed of the Department's first Learning Agenda, which includes several key questions to continue the work begun in the equity assessment. Treasury plans to commit resources to better understanding the extent to which economic recovery programs are advancing equity and having the intended impact on underserved communities.

In October 2021, the Secretary also appointed the Department's Counselor for Racial Equity, who will help drive Department-wide efforts to advance racial equity and will play a central role along with the Office of Civil Rights and Diversity to monitor progress on the actions specified in the Department's Equity Action Plan. In 2021, the Department also created the Office of Community Engagement (OCE) to foster direct connections with community and business stakeholders. OCE has facilitated dozens of listening sessions with a diverse set of stakeholders representing Black, Hispanic, AAPI, Native American, LGBTQIA+, and rural families, neighborhoods, and businesses. The increased engagement has ensured Treasury teams are benefitting from real-time feedback from those closest to the communities for whom the Department aims to strengthen its services and impact.

A Look Ahead

Treasury continuously evaluates its practices, services, and policies to ensure every opportunity is taken to advance the Biden-Harris Administration's equity agenda. In our next report:

- **Assessing the impact of climate change on households and communities:** Treasury is leading the work of 23 federal entities that comprise the Financial Literacy and Education Commission (FLEC) to better understand climate-related financial risks to households, especially in low-income and historically disadvantaged communities. The FLEC's analysis draws on expertise and data from across the government to assess how households, communities, and the smallest businesses experience the financial impacts of climate change and climate transition; identify which groups and regions will be most affected; and consider what tools and best practices could strengthen household resilience to climate-related financial risks and support an equitable transition. The FLEC will seek input from Tribes, state, local, and territorial governments, and other stakeholders to inform its analysis and recommendations for policies and actions that will build household climate resilience, to be released later this year.

Economic Analysis: Treasury is deepening the Department's understanding of wealth data as an indicator of economic opportunity amongst historically excluded racial and ethnic groups and other communities with disproportionately low wealth. According to the most recent wealth data, the median wealth of white households is 7.8 times more than that of Black households and 5.2 times more than that of Hispanic households,[16] while the rate of homeownership among white Americans is 1.7 times more than the rate among Black Americans.[17] In the paper "The Economics of Child Care Supply in the United States," Treasury discussed inequities in child care supply, including by race and discussed how low wages earned in the industry are disproportionately for women of color. Treasury's Office of Economic Policy is planning a blog post on the racial wealth gap. Additionally, in the forthcoming report examining Labor Market Competition, Treasury will include demographic analysis of several aspects of labor market power.

16 https://www.federalreserve.gov/econres/notes/feds-notes/disparities-in-wealth-by-race-and-ethnicity-in-the-2019-survey-of-consumer-finances-accessible-20200928.htm#fig2

17 https://www.urban.org/urban-wire/breaking-down-black-white-homeownership-gap

THE DEPARTMENT OF THE TREASURY

1789