

Community Development Financial Institutions Fund

Mission Statement

To expand the capacity of financial institutions to provide credit, capital and financial services to underserved populations and communities in the United States.

Program Summary by Appropriations Account

Dollars in Thousands

Appropriation	FY 2006 Enacted	FY 2007 President's Budget	FY 2007 CR-rate	FY 2008		
				Request	\$ from CR-rate	% from CR-rate
Community Development Financial Institutions Program	\$30,969	\$0	\$23,007	\$24,437	\$1,430	6.22%
New Markets Tax Credit Program	4,254	4,314	3,802	4,120	318	8.36%
Bank Enterprise Award	13,417	0	9,591	0	(9,591)	-100.00%
Native Initiatives	5,810	0	3,600	0	(3,600)	-100.00%
Portfolio Management	0	3,507	0	0	0	0.00%
Total Appropriated Resources	\$54,450	\$7,821	\$40,000	\$28,557	(\$11,443)	-28.61%

FY 2008 Priorities

- Provide allocations of tax credits under the New Markets Tax Credit Program,
- Provide grants, loans and equity investments under the CDFI Program, and
- Manage the Fund's existing portfolio of awards.

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Section 1 – Purpose

1A – Description of Bureau Vision and Priorities

The mission of the Community Development Financial Institution Fund (the Fund) is to expand the capacity of financial institutions to provide credit, capital and financial services to underserved populations and communities in the United States.

The Fund has three priorities:

1. Issue Allocations of Tax Credits Under the New Markets Tax Credit (NMTC) Program

– The NMTC Program attracts private sector capital into low-income communities through Community Development Entities (CDEs). CDEs raise funds by providing tax credits to private investors in exchange for equity investments, which are then invested in low-income communities. CDEs apply for allocations of NMTCs through annual, competitive allocation rounds.

2. Make Grants Under the Community Development Financial Institutions (CDFI) Program

– The CDFI Program provides financial assistance grants, technical assistance grants, and training to carry out the Fund’s mission of expanding the capacity of financial institutions to provide credit, capital and financial services to underserved populations and communities in the United States.

3. Manage the Existing Portfolio of Awards – Certain activities pertaining to the existing portfolio of grant awards are required. These activities consist of finalizing the terms of assistance agreements with recent awardees, making disbursements under awards not fully disbursed as of the end of FY 2007, and monitoring awardee compliance with the terms of their three-year award assistance agreements. This later step includes reviewing annual reports provided by awardees to ensure that their performance meets the goals as stipulated in the assistance agreements and that unmet performance is explained.

1B – Program History and Future Outlook

The CDFI Fund administers direct funding programs in support of Community Development Financial Institutions (CDFIs) and also administers the New Markets Tax Credit (NMTC) Program.

In FY 2006, the Fund processed \$208 million of grant applications which resulted in awards totaling approximately \$43 million through the Fund’s direct funding programs. The Fund also processed \$28.3 billion of applications to the New Markets Tax Credit program, for which 63 allocations totaling \$4.1 billion were made. These awards and allocations were processed in a seamless and timely manner using the Fund’s electronic award processing system.

As required under the Presidential Management Agenda (PMA) initiatives, during FY 2006 the Fund took in 278 applications for its three grant programs through the consolidated Grants.gov intake system. The Fund also began preparing its migration plan to the PMA Grants Management Line of Business (GMLoB) initiative and has selected the Department of Health and Human Services, Administration for Children and Families as its partner for this effort.

In FY 2006, the Fund reported 22,329 jobs created or retained by CDFI awardees and NMTC allocatees. In addition, the Fund's financial assistance awards leveraged an additional \$1.4 billion dollars, which equates to a leverage factor of \$27:\$1 (every \$1 of the Fund's financial assistance awards resulted in an additional \$27 raised and leveraged by awardees).

A significant accomplishment during FY 2005 was the full implementation of a web-based system that allows for the collection of data from Fund awardees – the Community Investment Impact System (CIIS). Data collected through FY 2006 provided the specific location and characteristics of each loan in an awardee's portfolio and allows the Fund to measure impact at the census tract level and compare awardees' lending behavior to that of traditional financial institutions. This management information system is important because CIIS enables the Fund to measure its performance against its targets and demonstrate how and where the Fund's dollars are used. This impact performance management system is unique within the community development industry.

The awarding of tax credit allocations under the NMTC Program was due to expire at the end of calendar year 2007. However, the 109th Congress passed legislation (P.L. 109-432) in its final hours which included an extension of the New Markets Tax Credit Program through December 31, 2008, with an additional credit volume supporting \$3.5 billion in investor capital.

Section 2 – Budget Adjustments and Appropriation Language

2.1 – Budget Adjustments Table

Dollars in Thousands

Appropriation: Community Development Financial Institutions Fund	FTE	Amount
FY 2006 Appropriation (P.L. 109-115)	68	\$55,000
Rescission (P.L. 109-148)	0	(550)
FY 2006 Enacted	0	\$54,450
FY 2007 President's Budget	35	\$7,821
CR-rate Adjustment	28	32,179
FY 2007 CR-rate	63	\$40,000
Changes to Base:		
Maintaining Current Levels (MCLs):		
Non-Pay Inflation Adjustment		77
Pay Annualization		24
Pay Inflation Adjustment		149
Total FY 2008 Base	63	\$40,250
Program Decreases:		
Bank Enterprise Award Program	(7)	(9,591)
Native Initiatives	(6)	(3,600)
Program Increases:		
Community Development Financial Institutions Prog.	11	1,309
New Markets Tax Credit Program	2	189
Subtotal FY 2008 Program Changes	0	(11,693)
Total FY 2008 Request	63	\$28,557

2A – Budget Increases and Decreases Description

Adjustments +\$32,179,000 / +28 FTE
CR-rate Adjustment +\$32,179,000 / +28 FTE Adjustment from the FY 2007 President's Budget to reach the FY 2007 Continuing Resolution annualized rate (CR-rate).

Maintaining Current Levels (MCLs) +\$250,000 / +0 FTE
Non-Pay Inflation Adjustment +\$77,000 / +0 FTE Funds are requested for the non-labor related items such as contracts, travel, supplies, equipment and GSA rent adjustments.

Pay Annualization +\$24,000 / +0 FTE Funds are requested for the FY 2008 cost of the January 2007 pay increase.

Pay Inflation Adjustment +\$149,000 / +0 FTE Funds are requested for the proposed January 2008 pay raise.

Program Decreases -\$13,191,000 / -13 FTE
Bank Enterprise Award Program -\$9,591,000 / -7 FTE The Fund is not requesting resources for the Bank Enterprise Award (BEA) Program in FY 2008.

Native Initiatives -\$3,600,000 / -6 FTE No separate authorization exists for Native Initiatives so no separate set aside is being requested in FY 2008.

Program Increases+\$1,498,000 / +13 FTE
Community Development Financial Institutions Prog. +\$1,309,000 / +11 FTE The Fund is seeking an increased level of funding for this program. Because no separate authorization exists for Native Initiatives, no separate funding is being requested in FY 2008 for Native Initiatives and the related 6 FTEs used to administer Native Initiatives will instead be used to administer the CDFI Program.

In addition, due to no funding being requested for the BEA Program in FY 2008, five of the seven FTEs utilized by the BEA Program will be moved to the CDFI Program.

New Markets Tax Credit Program +\$189,000 / +2 FTE Due to no funding being requested for the BEA Program in FY 2008, 2 (of the 7) FTEs utilized by the BEA Program will be moved to the NMTC Program.

2.2 – Operating Levels Table

Dollars in Thousands

Appropriation Title: Community Development Financial Institutions Fund	FY 2006 Enacted	FY 2007 President's Budget	CR-Rate Adjustment	FY 2007 CR-Rate	Proposed Reprogrammings	FY 2007 Proposed Operating Level	FY 2008 Requested Level
FTE	68	35	28	63		63	63
Object Classification:							
11.1 Full-Time Permanent Positions.....	\$5,349	\$3,681	\$1,513	\$5,194		\$5,194	\$5,267
11.1 Other than Full-Time Permanent Positions.....	0	0	0	0		0	0
11.5 Other Personnel Compensation.....	0	0	0	0		0	0
11.8 Special Personal Services Payments.....	0	0	0	0		0	0
11.9 Personnel Compensation (Total).....	\$5,349	\$3,681	\$1,513	\$5,194		\$5,194	\$5,267
12.0 Personnel Benefits.....	1,372	942	414	1,356		1,356	1,373
13.0 Benefits to Former Personnel.....	0	0	0	0		0	0
21.0 Travel.....	103	70	42	112		112	112
22.0 Transportation of Things.....	20	20	0	20		20	20
23.1 Rental Payments to GSA.....	1,118	898	517	1,415		1,415	1,428
23.2 Rent Payments to Others.....	48	15	79	94		94	94
23.3 Communications, Utilities, & Misc.....	262	172	0	172		172	180
23.5 Telecommunications (includes WCF).....	0	0	131	131		131	137
24.0 Printing and Reproduction.....	10	10	10	20		20	20
25.1 Advisory & Assistance Services.....	3,722	1,566	1,563	3,129		3,129	2,511
25.2 Other Services.....	393	169	169	338		338	271
25.3 Purchase of Goods/Serv. from Govt. Accts.....	1,093	206	443	649		649	598
25.4 Operation & Maintenance of Facilities.....	0	0	0	0		0	0
25.5 Research & Development Contracts.....	0	0	0	0		0	0
25.6 Medical Care.....	0	0	0	0		0	0
25.7 Operation & Maintenance of Equipment.....	0	0	0	0		0	0
25.8 Subsistence & Support of Persons.....	0	0	0	0		0	0
26.0 Supplies and Materials.....	47	18	77	95		95	94
31.0 Equipment.....	75	54	21	75		75	75
32.0 Lands and Structures.....	0	0	0	0		0	0
33.0 Investments & Loans.....	1,802	0	870	870		870	740
41.0 Grants, Subsidies.....	39,036	0	26,330	26,330		26,330	15,637
42.0 Insurance Claims & Indemn.....	0	0	0	0		0	0
43.0 Interest and Dividends.....	0	0	0	0		0	0
44.0 Refunds.....	0	0	0	0		0	0
Total Budget Authority.....	\$54,450	\$7,821	\$32,179	\$40,000	\$0	\$40,000	\$28,557
Budget Activities:							
Community Development Financial Institutions Program	\$30,969	\$0	\$23,007	\$23,007		\$23,007	\$24,437
New Markets Tax Credit Program	4,254	4,314	(512)	3,802		3,802	4,120
Bank Enterprise Awards Program	13,417	0	9,591	9,591		9,591	0
Native Initiatives	5,810	0	3,600	3,600		3,600	0
Portfolio Management	0	3,507	(3,507)	0		0	0
Total Budget Authority.....	\$54,450	\$7,821	\$32,179	\$40,000	\$0	\$40,000	\$28,557

2B – Appropriation Language

Appropriations Language	Explanation of Changes
<p style="text-align: center;">DEPARTMENT OF THE TREASURY</p> <p style="text-align: center;">COMMUNITY DEVELOPMENT FINANCIAL INSTITUTIONS FUND PROGRAM ACCOUNT</p> <p><i>To carry out the Community Development Banking and Financial Institutions Act of 1994 (Public Law 103–325), including services authorized by 5 U.S.C. 3109, but at rates for individuals not to exceed the per diem rate equivalent to the rate for ES–3, \$28,557,000, to remain available until September 30, 2009, of which up to \$12,200,000 may be used for administrative expenses, including administration of the New Markets Tax Credit, up to \$2,500,000 may be used for the cost of direct loans, and up to \$250,000 may be used for administrative expenses to carry out the direct loan program: Provided, That the cost of direct loans, including the cost of modifying such loans, shall be as defined in section 502 of the Congressional Budget Act of 1974, as amended: Provided further, That these funds are available to subsidize gross obligations for the principal amount of direct loans not to exceed \$5,000,000.</i></p>	<p>Eliminates unauthorized set aside for Native Initiatives.</p>

2C – Legislative Proposals

The CDFI Fund has no legislative proposals for FY 2008.

Section 3 – Budget and Performance Plan

3.1 – Appropriation Detail Table

Dollars in Thousands

Resources Available for Obligation	FY 2006 Enacted		FY 2006 Obligations		FY 2007 President's Budget		FY 2007 CR-Rate		FY 2008 Request		% Change FY 2007 to FY 2008	
	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT
New Appropriated Resources:												
Community Development Financial Institutions Program	33	\$30,969	23	\$30,268	0	\$0	31	\$23,007	42	\$24,437	35.48%	6.22%
New Markets Tax Credit Program	19	\$4,254	15	\$3,936	19	\$4,314	19	\$3,802	21	\$4,120	10.53%	8.36%
Bank Enterprise Awards Program	6	\$13,417	5	\$13,286	0	\$0	7	\$9,591	0	\$0	-100.00%	-100.00%
Native Initiatives	10	\$5,810	5	\$5,416	0	\$0	6	\$3,600	0	\$0	-100.00%	-100.00%
Portfolio Management	0	\$0	0	\$0	16	\$3,507	0	\$0	0	\$0	0.00%	0.00%
Subtotal New Appropriated Resources	68	\$54,450	48	\$52,906	35	\$7,821	63	\$40,000	63	\$28,557	0.00%	-28.61%
Other Resources:												
Unobligated Balances	0	\$4,033	0	\$3,602	0	\$0	0	\$2,046	0	\$500	0.00%	-75.56%
Offsetting Collections	0	\$732	0	\$682	0	\$0	0	\$1,000	0	\$1,000	0.00%	0.00%
Recoveries	0	\$1,481	0	\$1,431	0	\$0	0	\$2,000	0	\$1,000	0.00%	-50.00%
Subtotal Other Resources	0	\$6,246	0	\$5,715	0	\$0	0	\$5,046	0	\$2,500	0.00%	-50.46%
Total Resources Available for Obligation	68	\$60,696	48	\$58,621	35	\$7,821	63	\$45,046	63	\$31,057	0.00%	-31.05%

3A – Community Development Financial Institutions Program (\$24,437,000 from direct appropriations): The CDFI Program enables the Fund to carry out its mission of expanding the capacity of financial institutions to provide credit, capital and financial services to underserved populations and communities in the United States. The CDFI Program also addresses Treasury’s strategic objective to increase economic growth and create jobs. The program is comprised of three components: Financial Assistance, Technical Assistance, and Training.

- Financial Assistance awards are only provided to entities that have been certified by the Fund as meeting the statutory criteria to be a CDFI. Because of the wide range of institution types that can be certified as CDFIs, the financial assistance application process contains a degree of complexity not shared by other Fund award programs. Each applicant must describe and demonstrate its financial health, management capacity, and ability, based on historic and future projected activity, to deliver a product or service that will increase access to capital, credit and quality financial services in underserved communities. For every \$1 in financial assistance awards, awardees are able to raise an additional \$27, so the approximately \$12.4 million in FY 2008 FA awards should result in an additional \$335 million raised and deployed into low income communities.
- Technical Assistance grants serve to secure a sound foundation for developing CDFIs and can be used for training, technology and other one-time costs generally related to start-up or major growth phases of a CDFI.
- Training programs are designed to support identified areas of skills improvement for CDFIs and other members of the financial service industry. The program supports Treasury’s objective to increase economic growth and create jobs by providing needed education and support for skills development to enable relevant parties to deliver or utilize financial services.

Other Resources: Other resources of funds in FY 2008 total \$2,500,000 which are available for use by the CDFI Program, as follows (amounts in thousands):

	<u>Amount Available</u>
Unobligated Balances	
Consists of amounts appropriated for FY 2007 not obligated by the end of that fiscal year. The Fund's appropriations are available for use over a two-year period	\$ 500
Offsetting Collections	
Consists of investment income as well as the proceeds from the redemption of investments, available for new awards	\$ 1,000
Recoveries	
Consists of awards obligated during FY 2007 which were subsequently deobligated, and so are available for obligation in FY 2008.	\$ 1,000
	<u>\$ 2,500</u>

The Fund's Financial Assistance Awards Pay for Themselves

Financial assistance (FA) awards in the form of grants, loans and equity investments are used by awardees to invest in businesses and real estate in economically distressed areas. These investments create jobs and increase the amount of residential housing and commercial real estate.

These jobs created, along with the increase in residential housing and commercial real estate, result in an increase in tax revenue (consisting of Federal, state and local income taxes, and social security taxes), reduce the amount of state unemployment benefits paid out, and increase the amount of local property taxes.

The Fund calculates that FA awards disbursed by the Fund during FY 2004 of approximately \$68 million will create approximately 10,600 jobs, finance almost 34,000 residential housing units, and will finance \$245 million of commercial real estate. **The resulting annual increase in Federal, state and local taxes and benefits will be approximately \$84 million**, as follows:

- **Federal tax benefits:** an additional **\$12.9 million**, consisting of Federal income and social security taxes;
- **State benefits:** an additional **\$21.9 million** consisting of state income taxes and a reduction in the amount of unemployment benefits paid out; and
- **Local tax benefits:** an additional **\$49.6 million** in residential and commercial real estate taxes collected.

Based on the above, Fund FA awards pay for themselves in five years with just the increase in Federal tax revenue alone. When state and local benefits are factored in, Fund awards pay for themselves in a single year

3.2.1 – Community Development Financial Institutions Program Budget and Performance Plan

Dollars in Thousands

Community Development Financial Institutions Program Budget Activity		Includes Strategic Objective E1A				
Resource Level	FY 2004 Enacted	FY 2005 Enacted	FY 2006 Enacted	FY 2007 President's Budget	FY 2008 Request	
Financial Resources						
Appropriated Resources	\$41,160	\$31,560	\$30,969	\$0	\$24,437	
Other Resources	0	0	0	0	0	
Total Operating Level	\$41,160	\$31,560	\$30,969	\$0	\$24,437	
Human Resources						
Appropriated FTE	41	33	33	0	42	
Other FTE	0	0	0	0	0	
Total FTE (direct and reimbursable)	41	33	33	0	42	

Community Development Financial Institutions Program Budget Activity		Includes Strategic Objective E1A				
Measure		FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
Administrative costs per Financial Assistance (FA) application processed (E)	Target		Baseline	\$5,130	\$6,920	\$5,130
	Actual		\$5,130	\$8,710		
	Met		Yes	No		
Dollars of private and non-CDFI Fund investments that CDFIs are able to leverage because of their CDFI Fund Financial Assistance. (in millions) (Oe)	Target	\$669	\$500	\$1,100	\$861	\$643
	Actual	\$1,300	\$1,800	\$1,400		
	Met	Yes	Yes	Yes		
Number of full-time equivalent jobs created or maintained in underserved communities by businesses financed by CDFI Program Awardees and New Markets Tax Credit (NMTC) Allocatees (Oe)	Target	5,852	26,995	29,158	34,009	37,000
	Actual	9,212	23,656	22,329		
	Met	Yes	No	No		

Key: Oe - Outcome Measure, E - Efficiency Measure, Ot - Output/Workload Measure, and M - Management/Cust. Satisfaction

FY 2007 Performance Targets are based on the FY 2007 CR-rate

Description of Performance:

In fiscal year 2006, the Fund made \$24 million in FA awards to CDFIs that primarily serve rural and urban low-income communities.

In FY 2006, the Fund reported that it significantly exceeded the \$1.1 billion private leverage goal for FA funds by leveraging \$1.4 billion in private and non-CDFI Fund dollars. The Fund also exceeded the reported FY 2004 and FY 2005 private leverage goals. Furthermore, awardees have reported greater project leverage by partnering with other entities to finance projects. Overall, the leverage ratio has increased from \$20:\$1 to \$27:\$1 from fiscal year 2004 to fiscal year 2006.

FY 2005 was the second year in a row that the Fund greatly exceeded the established target of leveraging its award dollars. As a result, in November 2005, the Fund adjusted the outyear targets which are now based on these higher actual leverage ratios to ensure that the targets are challenging, yet realistic.

The table above shows performance information pertaining to the number of jobs created or retained for all budget activities. The breakdown of this information by budget activity is as follows:

	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
Target					
CDFI	5,852	5,417	7,132	5,990	5,615
NMTC	Baseline	21,288	22,026	28,019	31,385
BEA*	-	250	-	-	-
Total Target	5,852	26,955	29,158	34,009	37,000
Actual					
CDFI	7,179	12,335	13,777	NA	NA
NMTC	905	11,321	8,552	NA	NA
BEA*	1,128	NA	NA	NA	NA
Total Actual	9,212	23,656	22,329	NA	NA

*The BEA Program was a component of the target number in FY 2005. The performance measure was rewritten and BEA is no longer included.

The Fund did not achieve the goal of 29,158 full-time equivalent (FTE) jobs expected for FY 2006. The shortfall is driven by an overestimate of the number of jobs that the NMTC program would create or maintain per year. The Fund developed the FY 2006 NMTC FTE jobs target based on data from the allocatees' FY 2003 performance. The Fund encountered two difficulties when working with the FY 2003 data set. First, the data set is small representing only eight organizations and 28 transactions. Second, the data set represents the initial year of the NMTC activity, so the transactions may not be "typical" moving forward. The Fund is currently reviewing allocatees' FY 2005 actual performance data. Once these data are final, the Fund plans to use them and the FY 2004 actual performance data to revise future year performance targets.

3B – New Markets Tax Credit Program (\$4,120,000 from direct appropriations): The NMTC Program spurs investment of private capital into a range of privately managed investment vehicles called Community Development Entities (CDEs). CDEs apply for allocations of NMTCs through annual, competitive allocation rounds. CDEs receiving an allocation of tax credits provide tax credits to private sector investors in exchange for equity investments in the CDEs. The CDEs then use the proceeds from these equity investments to make loans and equity investments in New Markets businesses located in

and serving economically distressed communities. The investors in the CDEs receive a credit against Federal income taxes for making the qualified equity investments, which must in turn be used to invest in low-income communities. The credit provided to investors totals 39 percent of the cost of the investment and is claimed over a seven-year credit allowance period. A total of \$19.5 billion in investor capital will be raised under the NMTC Program. Four funding rounds have been completed corresponding to tax credit allocations supporting \$12.1 billion in private sector capital, with the final round to occur in FY 2008. The final allocation round will provide tax credit allocations supporting \$3.5 billion in investor capital.

The Gulf Opportunity Zone legislation, passed in December of 2005 to reach areas harmed by Hurricane Katrina, authorized the Fund to provide an allocation of tax credits supporting an additional \$1 billion of investor capital to qualified applicants in Alabama, Mississippi and Louisiana. The Fund allocated tax credits supporting \$600 million of this amount in addition to the \$3.5 billion it awarded in the fourth round in 2005. The Fund will allocate tax credits supporting the remaining \$400 million when it makes the 2007 allocation of \$3.5 billion.

The FY 2008 budget request will fund the costs required to administer the NMTC program (because it is a tax credit program, there is no required program funding such as under the Fund's grant programs).

3.2.2 – New Markets Tax Credit Program Budget and Performance Plan

Dollars in Thousands

New Markets Tax Credit Program Budget Activity		Includes Strategic Objective E1A				
Resource Level	FY 2004 Enacted	FY 2005 Enacted	FY 2006 Enacted	FY 2007 President's Budget	FY 2008 Request	
Financial Resources						
Appropriated Resources	\$4,700	\$6,494	\$4,254	\$4,314	\$4,120	
Other Resources	0	0	0	0	0	
Total Operating Level	\$4,700	\$6,494	\$4,254	\$4,314	\$4,120	
Human Resources						
Appropriated FTE	19	19	19	19	21	
Other FTE	0	0	0	0	0	
Total FTE (direct and reimbursable)	19	19	19	19	21	

New Markets Tax Credit Program Budget Activity		Includes Strategic Objective E1A				
Measure		FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
Administrative costs per number of New Markets Tax Credit (NMTC) applications processed (\$)	Target		Baseline	\$5,390	\$4,875	\$5,390
(E)	Actual		\$5,390	\$4,360		
	Met		Yes	Yes		
Amount of investments in low-income communities that Community Development Entities (CDEs) have made with capital raised through their New Markets Tax Credit (NMTC) tax credit allocations (\$ in billions)(Oe)	Target	Baseline	\$1.4	\$1.6	\$2.1	\$2.5
	Actual	\$0.1	\$1.1	\$2		
	Met	Yes	No	Yes		

Key: Oe - Outcome Measure, E - Efficiency Measure, Ot - Output/Workload Measure, and M - Management/Cust. Satisfaction

FY 2007 Performance Targets are based on the FY 2007 CR-rate

Description of Performance:

In fiscal year 2006, the Fund made \$4.1 billion in tax credit allocations, providing recipients the potential ability to raise this amount of capital to invest in low-income communities. The Fund works closely with the IRS to implement this program.

In FY 2006, CDEs exceeded the anticipated \$1.6 billion in Qualified Low Income Community Investments (QLICs), by closing \$2.0 billion in QLICs. Given the newness of the NMTC Program, the Fund is just beginning to get a realistic picture of how quickly the NMTC dollars will flow. The Fund will continue to analyze the increasing rate that allocatees raise equity and make qualified investments, and use this analysis to set appropriate targets going forward.

Currently performance pertaining to the number of jobs created or maintained, as it pertains to the NMTC Program, is included in the measure found under the CDFI Program budget activity on page 10.

For detailed information about each performance measure, including definition, verification and validation, please go to:

http://www.treas.gov/offices/management/dcfo/accountability-reports/2006-par/Part_IV_Appendices.pdf

Section 4 – Supporting Materials

4.1 – Human Resources Table

Changes in Full Time Equivalents

Direct FTE		FY 2006	FY 2007	FY 2008
Base: Year-end Actual from Prior Year		50	48	63
Increases:				
Reason #1:	Backfilling of prior-year and current-year vacant positions.	4	20	10
Subtotal, Increases		4	20	10
Decreases:				
Reason #1:	Normal Attrition.	-6	-5	-6
Reason #2:	Net reduction due to reduction in program funding.			-4
Subtotal, Decreases		-6	-5	-10
Year-end Actual/Estimated FTEs		48	63	63
Net Change from prior year SOY to budget year EOY				15

4A – Human Capital Strategy Description

The FY 2007 CR-Rate provides resources for the Bank Enterprise Award (BEA) program, Native Initiatives, and the CDFI program. This \$40 million budget will also fund the administrative costs for operating the New Markets Tax Credit Program.

A total of 7 FTEs administer the BEA Program of which 4 FTEs pertain to specific individuals and 3 FTEs pertain to BEA-related tasks performed by several people. All BEA-related skills are transferable to other Fund activities. Without the need to administer the BEA Program in FY 2008, the Fund will transfer the 7 BEA FTEs to other Fund activities, and not hire any new positions in FY 2008. The Human Capital Challenge for FY 2008 is to manage the number of FTEs and the related skill sets in FY 2007 to minimize the need for any FTE changes in FY 2008 and thereafter in the event of program funding changes.

In addition, the FY 2008 budget request does not include the separate set aside for Native Initiatives. The related FTEs used to administer the Native Initiatives program will instead be used to administer the CDFI Program.

4.2 – Summary of IT Resources Table

Dollars in Millions

Major IT Investments /1	Budget Activity/Funding Source	Identify the Program that the System is Aligned to	FY 2005		FY 2006	% Change from FY05 Actuals to FY06	FY 2007	% Change from FY06 to FY07	FY 2008	% Change from FY07 to FY08
			Operating Plan	Obligations	Operating Plan	President's Budget	Request			
None										
Subtotal, Major IT Investments			\$0.0	\$0.0	\$0.0	0.0%	\$0.0	0.0%	\$0.0	0.0%
Non-Major IT Investments										
Community Investment Impact System (CIIS)	Community Development Financial Institutions and New Markets Tax Credit Programs	Community Development Financial Institutions and New Markets Tax Credit Programs	0.65	1.00	0.67	-33.0%	0.00	-100.0%	0.45	100.0%
Subtotal, Non-Major IT Investments			\$0.65	\$1.00	\$0.67	-33.0%	\$0.00	-100.0%	\$0.45	100.0%
Infrastructure Investments										
CDFI Infrastructure (Telecommunications)	Community Development Financial Institutions, Bank Enterprise Awards, Native Initiatives and New Markets Tax Credit Programs	Community Development Financial Institutions, Bank Enterprise Awards, Native Initiatives and New Markets Tax Credit Programs	0.20	0.20	0.20	0.0%	0.15	-25.0%	0.23	53.3%
CDFI Infrastructure (Office Automation)	Community Development Financial Institutions, Bank Enterprise Awards, Native Initiatives and New Markets Tax Credit Programs	Community Development Financial Institutions, Bank Enterprise Awards, Native Initiatives and New Markets Tax Credit Programs	2.26	2.46	2.69	9.3%	0.75	-72.3%	1.18	58.4%
CDFI Infrastructure (IT Security)	Community Development Financial Institutions, Bank Enterprise Awards, Native Initiatives and New Markets Tax Credit Programs	Community Development Financial Institutions, Bank Enterprise Awards, Native Initiatives and New Markets Tax Credit Programs	0.24	0.11	0.36	227.3%	0.00	-100.0%	0.36	100.0%
CDFI Infrastructure (Infrastructure)	Community Development Financial Institutions, Bank Enterprise Awards, Native Initiatives and New Markets Tax Credit Programs	Community Development Financial Institutions, Bank Enterprise Awards, Native Initiatives and New Markets Tax Credit Programs	0.32	0.08	0.19	137.5%	0.10	-47.4%	0.12	20.0%
Subtotal, Infrastructure Investments			\$3.02	\$2.85	\$3.44	20.7%	\$1.00	-71.1%	\$1.89	89.9%
Enterprise Architecture										
None										
Subtotal, Enterprise Architecture			\$0.00	\$0.00	\$0.00	0.0%	\$0.00	0.0%	\$0.00	0.0%
Total IT Investments			\$3.67	\$3.85	\$4.11	6.8%	\$1.00	-75.8%	\$2.34	135.2%

/1 These investments do *not* meet the criteria for OMB's Exhibit 300

4B – Information Technology Strategy

The CDFI Fund does not have any Major IT investments (using Department of the Treasury guidelines for defining Major IT investments), and, as such, is not required to submit an OMB 300. The CDFI Fund does, however, have a formal IT review and planning process which is overseen by the Technology Investment Board Executive Committee (TIBEC), which consists of three senior agency officials and is advised by the Chief Information Officer. The goal of this committee is to ensure that the CDFI Fund's IT investments are tied to the organization's strategic plan, support the agency's mission and remain strictly within the approved budget. The TIBEC also ensures that the agency's IT strategic goals conform with required legislation and Treasury and Presidential goals, such as the Federal Information Security Management Act (FISMA), Grants.gov and the Grants Management Line of Business.

4.3 – PART Evaluation Table

PART Name:	Bank Enterprise Award (BEA) Program
Year PARTed:	FY 2002
Rating:	Results Not Demonstrated/Measures Adequate

OMB Major Findings/Recommendations

1. While there is some evidence that BEA awardees use awards to reinvest in community development initiatives, program results are hard to measure because it cannot be determined how awardees would behave in the absence of the program.
2. As the award is for past performance, there are no prospective performance requirements on how awardees spend award funds. This prevents the Fund from ensuring that program awardees commit to the long-term goals of the program.
3. Conduct an independent evaluation of the program.
4. Measure progress in meeting long-term outcome goals and annual performance goals.
5. Make statutory changes to the authorizing legislation that would clearly distinguish this program from the mandates of the Community Reinvestment Act and would insure that award funds are spent on community development activities.

Bureau Actions Planned or Underway

1. The Fund determined that it could more effectively achieve its strategic objectives if the BEA Program regulations and NOFA were revised to target awards:
 - To CDFIs with a greater need for the incentive provided by the BEA Program award, and
 - To "personal wealth" and "community asset" building activities.The BEA Program revised interim rule and subsequent NOFAs contain several revisions to ensure that the program:
 - Better targets awards to community development activities in distressed areas, and
 - Achieves greater operational efficiencies for applicants and the Fund.
2. The Fund had been planning to conduct an evaluation of the BEA Program in FY 2006 but discontinued that planning when it was believed that the Program would cease to exist in FY 2006.
3. The Fund had been planning to conduct an evaluation of the BEA Program in FY 2006 but discontinued that planning when it was believed that the Program would cease to exist in FY 2006. Congress ultimately appropriated funding for the BEA Program in FY 2006. As part of its FY 2006 appropriation, Congress requested that GAO perform a review of the BEA Program, which was recently completed. The GAO issued its report in July 2006.
4. The Fund began measuring progress toward meeting long-term and annual goals in FY 2003 and has measured progress annually since then.
5. The Fund considered amending the BEA statute to allow it to make awards based on prospective commitments to engage in innovative investment activities but determined that it was not politically feasible.

PART Name: CDFI Fund: Finance and Technical Assistance

Year PARTed: FY 2004

Rating: Adequate

OMB Major Findings/Recommendations

1. The CDFI Program is not unique because several states administer similar programs and CDFIs can use private sector equity investment to accomplish activities they otherwise would accomplish with CDFI Fund awards.
2. Set a target and timeframe for the second long-term measure.
3. Establish a baseline for the efficiency measure, set a target, and measure progress in achieving this target.
4. Make disaggregated program performance data available to the public.
5. Conduct an independent evaluation of the program.

Bureau Actions Planned or Underway

1. The Fund is not taking any action related to the duplication/redundancy finding because:
 - a. Fewer than 10 states administer CDFI programs and none of these state programs fully meets the capital needs of the CDFIs in its state. Furthermore, CDFIs in 40 states do not have access to any state CDFI program.
 - b. There are too few private sector equity investments available to meet CDFIs' needs for capital.
2. The Fund has built the IT system needed to set a target for the second long-term measure.
3. The Fund conducted the analysis needed, set the baseline for the efficiency measure and began measuring progress in FY 2006.
4. The Fund made disaggregated data available to the public in January 2005 and will continue to do so annually.
5. A contract to evaluate the program was awarded in FY 2005 and is currently underway.

PART Name: New Markets Tax Credit (NMTC)

Year PARTed: FY 2004

Rating: Adequate

OMB Major Findings/Recommendations

1. The program is not unique because other federal, state and local tax credit programs are available and because numerous programs at HUD (CDBG) and Commerce (EDA) augment the NMTC Program goal of improving low-income communities.
2. Set targets for the annual performance measures and measure performance in achieving them.
3. Establish a baseline for the efficiency measure, set a target, and measure progress in achieving this target.
4. Conduct an independent evaluation of the program.

Bureau Actions Planned or Underway

1. The Fund is not taking any action on the duplicative/redundancy finding because, in the Fund's opinion, the other available programs complement rather than duplicate the NMTC Program.
2. NMTC Program allocatees submitted data in June 2005 that the Fund needed in order to set performance measure targets. The Fund set targets and began measuring its achievements in FY 2005.
3. The Fund conducted the analysis needed, set the baseline for the efficiency measure and began measuring progress in FY 2006.
4. In FY 2005 the Fund issued an RFP for an independent evaluation of the program and the multi-year evaluation began in the last quarter of FY 2006.

For a complete list of PART results visit the following website:

<http://www.whitehouse.gov/omb/expectmore/all.html>