U.S. Department of the Treasury

2024 Racial Equity Progress Report

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INTRODUCTION

Over the past three years, the US Department of the Treasury has made substantial progress on President Biden's vision to foster an inclusive economy. From Secretary Yellen's first day in office, Treasury has designed and implemented an ambitious racial equity agenda to address longstanding disparities in investment and opportunities that keep some communities from fully benefiting from and contributing to the nation's economic growth and prosperity. This agenda is integral to the Treasury's overall mission, which is to maintain a strong economy by promoting conditions that enable equitable and sustainable economic growth at home and abroad, combat threats to and protect the integrity of the financial system, and manage the US government's finances and resources effectively.

When the Biden-Harris Administration assumed office in January 2021, the nation was grappling with a pandemic claiming more than 3,000 lives per day that starkly exposed and exacerbated existing health and economic disparities.[1] This crisis laid bare the economic marginalization experienced by many long-overlooked segments of our society. With this in mind, President Biden issued Executive Order (EO) 13985, requiring federal agencies to examine their programs and policies to identify and work to redress barriers to economic mobility and opportunity. In response, the Treasury published an Equity Action Plan in 2021 and an updated plan in February 2024. In addition, Treasury established the Treasury Advisory Committee on Racial Equity (TACRE). Designated under the Federal Advisory Committee Act, TACRE brings experts together to advise the Treasury on addressing acute disparities among communities of color that have historically been underserved, marginalized, and adversely affected by persistent poverty and inequality.

> “the U.S. Department of the Treasury has made substantial progress on President Biden's vision to foster an inclusive economy

The Department's approach to equity is fundamental to producing strong outcomes for all Americans, including communities of color, low-income families, and rural areas that have long been cut off from meaningful investments in economic growth. By coupling data-driven approaches with deep engagement with community representatives and experts like those on TACRE to design policies, we can meet our nation's highest ideals of economic enfranchisement while boosting productivity that will benefit every American. This approach helped Treasury and the Biden Administration drive the most equitable economic recovery on record.

Treasury is now taking lessons from the economic recovery as the Administration strengthens our long-term economic foundation. Recent investments from President Biden's American Rescue Plan Act (ARPA), CHIPS and Science Act, Bipartisan Infrastructure Law (BIL), and Inflation Reduction Act (IRA) are transforming our economy. As the nation fortifies and expands its infrastructure, develops resilient supply chains, and produces record levels of clean energy to lower costs, significant new opportunities are available for workers, small businesses, and communities. By unleashing the economic potential of communities that have long been overlooked and underserved, the Treasury promotes greater financial security across generations and, more broadly, shared prosperity for all.

This report details the steps the Treasury has taken to drive an inclusive economy, the results observed to date, and additional steps planned in 2024 and beyond.

Treasury has benefited significantly from the advice, insights, and recommendations of TACRE, as noted throughout the report. The report is divided into six sections:

SECTION 1:
Driving an Equitable Recovery highlights Treasury's actions to foster an economic recovery that benefits all Americans.

SECTION 2:
Meeting Communities Where They Are shares the Treasury's efforts to employ community listening and data collection strategies to reflect local needs and circumstances, ensuring that resources and opportunities are distributed fairly and effectively.

SECTION 3:
Building Intergenerational Assets discusses Treasury's investments in mission lenders and small businesses.

SECTION 4:
Making Tax Systems Work for All reviews new pilot programs the Treasury and the IRS have launched to ensure tax administration is fair, accessible, and serving all Americans.

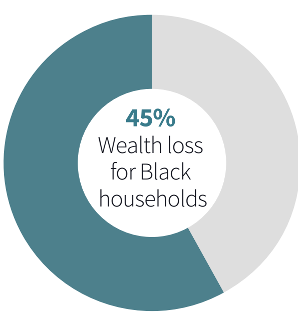
SECTION 5:
Measuring Success and Expanding Research shares Treasury's data collection and analytical efforts underway to ensure programmatic effectiveness and better understand and address economic disparities.

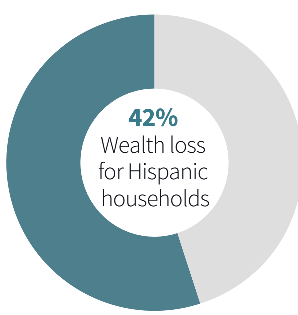
SECTION 6:
Fostering an Inclusive Treasury Department discusses the data-driven approach Treasury is taking to develop a department that reflects the nation's diversity.

Section 1:

Driving an Equitable Recovery

The nation's economic recovery following the COVID-19 pandemic is notable not just for its speed but also for its fairness. The Biden-Harris Administration's implementation of the American Rescue Plan Act (ARPA) played a significant role in blunting the worst possible outcomes through the expansiveness of the effort and the focus on vulnerable communities often left behind in economic downturns. Previous downturns left significant economic scarring in their wake, particularly for Black, Hispanic, and other communities of color. For example, gaps in unemployment rates between Black and Hispanic Americans and white Americans typically widen during economic downturns where Black and Hispanic Americans have faced higher increases in unemployment rates that narrow much more slowly after an economic recovery begins. Had the overall unemployment rate been 5.5 percent at the end of 2021 as forecasted, historical trends suggest that the Black and Hispanic unemployment rates would have been 9.6 and 7.0 percent, respectively. Similarly, because of the Great Recession, Black and Hispanic households lost 45 percent and 42 percent of their wealth and had not yet recovered by the time the pandemic struck a decade later.[2]





In contrast, the economic recovery from the pandemic ensured a markedly different result. Treasury intentionally deviated from old policy design and program delivery models when implementing the ARPA by prioritizing collaboration with leaders from underserved communities, partnering with trusted nonprofit and faith organizations, emphasizing cultural and language competency in distributing aid, and building flexibility into program delivery models.[3] These interventions accelerated the economic recovery and reduced racial and ethnic disparities in unemployment and other labor market outcomes to pre-pandemic levels.[1] Key outcomes include:

Economic wellbeing for Black and Hispanic households improved dramatically.
Improvements in poverty, unemployment, labor force participation, and wages defied the worst-case scenarios anticipated in the wake of the pandemic, laying the groundwork for stronger economic conditions overall. Key outcomes include:

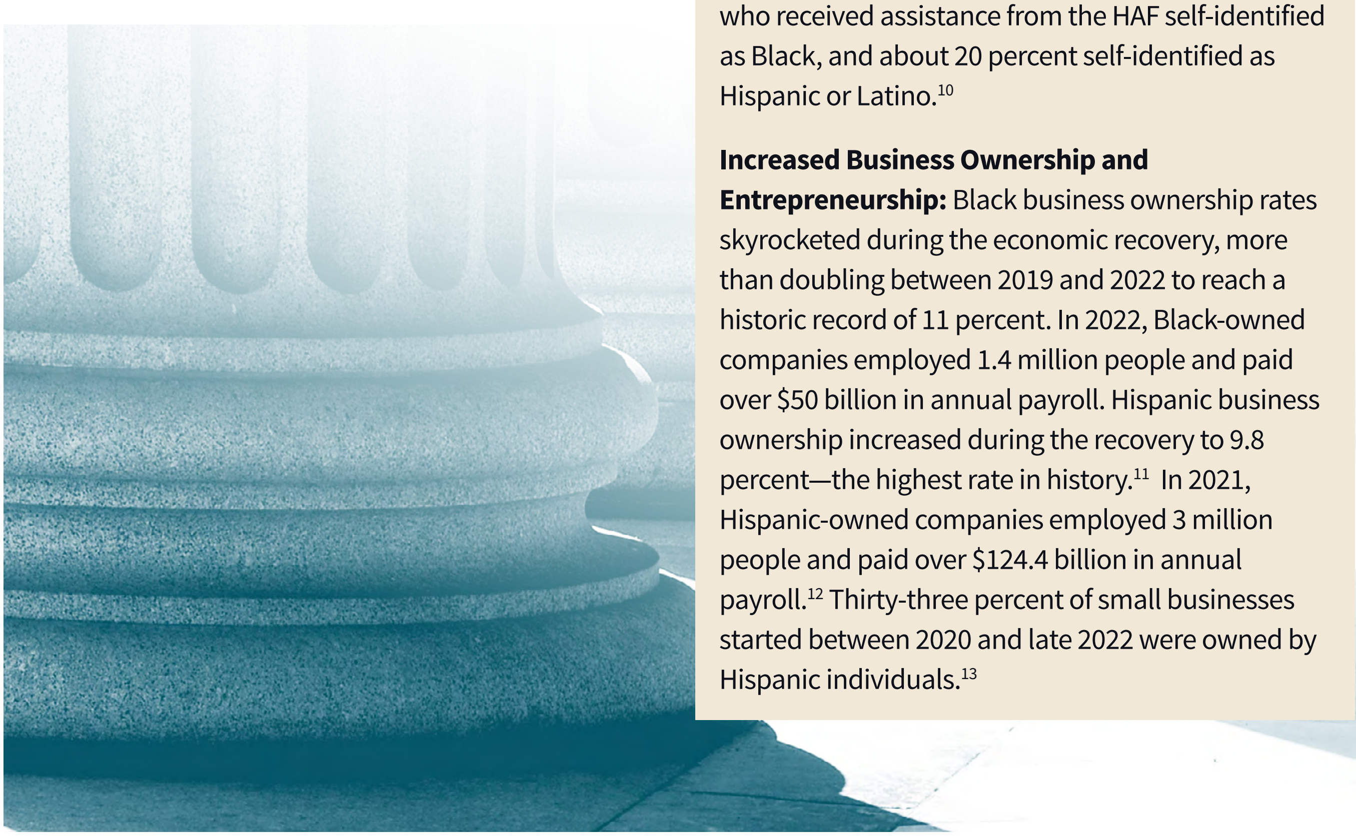
Poverty Reduction: The expanded Child Tax Credit enacted as part of ARPA dramatically reduced poverty for all children. The benefits were particularly notable for children of color, who tend to experience higher poverty rates in aggregate. The Black child poverty rate was cut by nearly 60 percent from 20 percent in 2019 to 8 percent in 2021. Similarly, the Hispanic child poverty rate was cut by almost 60 percent from 20 percent in 2019 to 8 percent in 2021.[4] President Biden continues to push Congress to reinstate the expansion.[5]

1 Treasury's analysis of economic recovery (October 2023) trends was limited by the relatively small sample size of Asian households in most official economic surveys, which is considered too small to be statistically comparable against other race categories. Even so, Treasury's analysis notes that the trends in the available data for the "other minority groups and more narrow subgroups" are consistent with a robust economic recovery that was broadly shared.

Low Unemployment Rates: In 2023, Black Americans' unemployment reached its lowest level in history; as of January 2024, it remains at a near-record low of 5.3 percent. The unemployment rate for Hispanic Americans also remains near a record low.[6]

Boost in Labor Force Participation: Prime working-aged Black women have seen their labor force participation rates climb by about 1.5 percent compared to pre-pandemic levels; this is near historic highs and the highest for two decades. Similarly, prime-aged Hispanic women have seen their labor force participation rates climb from pre-pandemic levels by almost 3 percent to historic highs.[7]

Wage Growth: Real earnings for the median Black worker grew by 7 percent between the fourth quarter of 2019 and the fourth quarter of 2023—much faster than the growth for the median worker overall. Actual earnings for the median Hispanic or Latino worker grew by nearly 4 percent from the fourth quarter of 2019 to the fourth quarter of 2023—almost double that of the median worker overall.[8]



Wealth and economic security outcomes improved, including meaningful increases in household wealth. Not only did families see an improvement in their daily household finances, but assets that produce greater long-term financial security also saw meaningful growth.

Increased Wealth: Median Black family wealth—adjusted for inflation—increased by 60 percent from 2019 to 2022; similarly, median Hispanic or Latino family wealth—adjusted for inflation—increased by 47 percent from 2019 to 2022. By contrast, Black and Hispanic households lost 45 percent and 42 percent of their wealth during the Great Recession.

Increased Homeownership: The Great Recession hit Black and Hispanic homeowners particularly hard, with homeownership rates dropping by 1.8 and 2 percentage points among those groups, respectively, from 2007 to 2010.[9] In contrast, Black homeownership rates increased by 3.6 percentage points, and Hispanic homeownership increased by 2 percentage points from 2019 to 2023. Treasury's Homeowner Assistance Fund (HAF) was crucial to avoiding a repeat of the ravages of the Great Recession. About 35 percent of the homeowners who received assistance from the HAF self-identified as Black, and about 20 percent self-identified as Hispanic or Latino.[10]

Increased Business Ownership and Entrepreneurship: Black business ownership rates skyrocketed during the economic recovery, more than doubling between 2019 and 2022 to reach a historic record of 11 percent. In 2022, Black-owned companies employed 1.4 million people and paid over $50 billion in annual payroll. Hispanic business ownership increased during the recovery to 9.8 percent—the highest rate in history.[11] In 2021, Hispanic-owned companies employed 3 million people and paid over $124.4 billion in annual payroll.[12] Thirty-three percent of small businesses started between 2020 and late 2022 were owned by Hispanic individuals.[13]

These outcomes were not a forgone conclusion. The Treasury Department's critical policy decisions in implementing the American Rescue Plan Act ensured that COVID relief efforts centered on the needs of vulnerable and underserved communities. For example, the Treasury's implementation of direct-to-tenant payments and other flexibilities through the Emergency Rental Assistance program ensured that extremely low-income households received the bulk of assistance. Black households, who are historically at greatest risk of eviction, received more assistance than the historic average. Stabilizing families by keeping them in their homes has allowed historic investments in the country's medium and long-term economic growth to have a more significant impact.

SECTION 2:

Meeting Communities Where They Are

Research shows that community engagement in the design process builds trust and transparency, leads to policies and programs that reach underserved communities, and strengthens local impact.[14] TACRE members requested that the Treasury consider ways to develop stronger connections through data, feedback, and structured interactions with vulnerable and underserved communities across a range of issue areas, including delivering capital, administering clean energy and family tax credits, and modernizing the IRS to be more responsive to the service gaps experienced by tax filers.

Treasury has taken meaningful steps to create new channels for the public to communicate their needs, particularly for those who often do not have easy access to their government. The expectation is that stronger upfront inputs will help deliver stronger outcomes for vulnerable households.

Treasury is creating ways to build community relationships, share information, and participate in continuous engagement.

Departing from traditional "top-down" approaches, which often overlook unique community assets and circumstances, the Treasury aims to design and implement policies that reflect communities' priorities through inclusive and transparent engagement processes. Evidence shows that inclusive policies informed by local contexts and the needs of the most vulnerable enhance economic opportunities more effectively for underserved families, businesses, and neighborhoods and boost local economic growth.[15]

Key actions Treasury is taking include:

Adopting key stakeholder input mechanisms as a standard component of the policymaking process. Treasury uses Requests for Information (RFIs) or Requests for Comment to open communication channels between the Treasury and the public. RFIs are flexible and less formal than other regulatory inquiries, allowing the Treasury Department to hear directly and more often from local communities, smaller nonprofits, and civil leaders closest to the challenges to be addressed. For example, the CDFI Fund issued multiple RFIs to inform CDFI certification efforts, and Treasury recently released an RFI to inform the development of a national financial inclusion program.

Using first-hand community engagement to inform high-impact solutions. Treasury has begun using collaborative models to center community voices and priorities to refine problem definition, solution identification, and partnership opportunities. For example, in a January 2024 event on the banking challenges facing individuals who have been formerly incarcerated, the Treasury brought together federal banking agencies, advocates, service providers, and representatives from financial institutions to hear directly about the challenges they face. Hearing their first-hand accounts of the barriers to maintaining bank accounts and obtaining small business loans deepens the Treasury's engagement with communities historically underserved by the banking sector. It creates a shared understanding of the problem across regulators, financial institutions, advocates, and service providers. The findings have spurred new policy collaboration across federal agencies to address barriers to banking.

Standardizing continuous communication and feedback loops with key stakeholders. TACRE advised the Treasury to develop standardized presentation materials and outreach strategies to take crucial program information directly to people, businesses, and communities that most need the information. Treasury has taken this on by regularly engaging with essential constituencies in departmental programs. Examples include:

- Treasury's State Small Business Credit Initiative (SSBCI) team hosts regular All-Jurisdiction calls to hear directly from economic development entities across states, territories, DC, and Tribal governments. The team has designated an outreach manager for each jurisdiction to support program implementation.
- Treasury and IRS developed and disseminated the Direct File Partner Outreach Toolkit to ensure the Direct File pilot reached underserved tax filers who might be wary of working directly with the IRS. The toolkit was shared with more than 600 community partners to support their efforts to enroll participants in the Direct File Pilot. Treasury partnered with the White House to host weekly Direct File Stakeholder Convenings for feedback and sharing of best and promising practices among partners. On average, 65 stakeholders attended these weekly calls.

Looking Ahead

Treasury will continue to refine and expand these practices to maintain feedback loops with historically underserved communities. Treasury's Office of Diversity, Equity, Inclusion, and Accessibility is developing a new framework to guide Treasury approaches in co-designing policy with local communities, aiming to institutionalize the adoption of best practices outlined above as widely and consistently as possible.

While the new framework is developed, Treasury will continue using the tools and best practices described above with timely opportunities in 2024. Specifically, the Treasury is streamlining our engagement and education of small businesses and potential vendors in alignment with TACRE recommendations to ensure small businesses are aware of the clean energy incentives in the IRA to lower their utility bills and that contracting opportunities are widely known and understood by underserved businesses.

Treasury delivers services to the American people in accessible ways, in preferred languages, and through trusted partners.

Treasury uses data, community input, and expert advice to understand the unique needs of the nation's most vulnerable people, businesses, and communities. With this information, the Treasury can design services and policies more likely to reach and effectively meet the needs of traditionally underserved populations. Treasury is taking critical steps that correspond with TACRE recommendations and insights gleaned from Treasury's outreach for ARPA programs, including:

Mapping stakeholders and constituencies to consult and inform IRA policy implementation. Treasury's Inflation Reduction Act Program Office (IRA PO) built a Stakeholder Engagement team composed of experts focused on outreach to diverse stakeholders on IRA clean energy incentives and IRS modernization. To develop targeted outreach strategies to consumers, state and local governments, and nonprofits, the team thoroughly reviewed key audiences, their attributes, and barriers to claiming IRA incentives. The resulting "last mile" engagement strategy targets outreach to specific audiences: consumers, small businesses, labor, State, Local, and Tribal governments, and nonprofits with the relevant information and resources needed to ensure they do not miss critical opportunities. In addition, Treasury has enlisted the help of trusted partners to maximize outreach efforts for consumer and small business audiences. IRS' Stakeholder Partnerships, Education, and Communication Office has also expanded to reach more historically underserved communities and develop new partnerships across the country.

Building new relationships with climate-impacted communities to inform policy design. The passage of the IRA required the Treasury to build new relationships with stakeholders representing communities most at risk of being left behind in the transition to clean energy; this included technical assistance providers, environmental justice advocates, and climate entrepreneurs of color who serve diverse constituencies such as low-income, Tribal, environmental justice, and rural communities. For example, to inform the design and implementation of the Low-Income Communities Bonus Credit created by the IRA, the Treasury hosted three virtual roundtables with Deputy Secretary Wally Adeyemo to hear from hundreds of stakeholders who do not often have an opportunity to speak to the Department. Treasury also created an open-door policy for stakeholders to provide feedback.

Developing place-based initiatives to promote elective pay and transfer election benefits update.[16] Treasury launched "Comeback Cities," a 150-city campaign to raise awareness and foster dialogue on the benefits of elective pay and transfer election benefits, a new mechanism created by the IRA that allows tax-exempt entities such as nonprofits and state and local governments to access tax credit equity for the first time. The cities identified have 20 percent poverty rates or higher and are home to 13.9 million residents, 40.5 percent of which are Black, 36.6 percent are White, and 16.9 percent are Latino. For example, to maximize the uptake of elective pay in Puerto Rico, the Treasury – with the Department of Energy and the Domestic Policy Council – will conduct in-person educational roundtables in April 2024 in San Juan. In addition, Treasury is joining the Thriving Communities Network, an interagency effort to "coordinate strategy, collaborate across initiatives, and target deployment of a full range of Federal place-based technical assistance and capacity-building resources to urban, rural, and Tribal communities experiencing a history of economic distress and systemic disinvestment." The Puerto Rico educational roundtables are being facilitated by one of the Environmental Justice Thriving Communities Technical Assistance Centers and will be held in Spanish and English.

Looking Ahead

Treasury is committed to reviewing and refining these efforts on an ongoing basis. Built-in feedback loops and programmatic outcomes will provide the input necessary to ensure programs and services reach all intended communities. Looking ahead, the Treasury plans to use various data collection tools and partnerships with federal agencies to support the continuous iteration of departmental service delivery efforts.

- **Treasury will conduct outreach via ongoing focus groups, surveys, and other participatory mechanisms to ensure that marginalized communities' diverse needs and priorities inform policy design processes.** Treasury aims to set a standard for inclusive and equitable policy design across various domains, reflecting a commitment to fostering an economy that truly serves all Americans.
- **Treasury will continue partnerships with government agencies like the Department of Energy, the Department of Labor, the Environmental Protection Agency (EPA), and the Department of Housing and Urban Development that have been integral to our outreach efforts for IRA tax credits.** Treasury aims to leverage the existing infrastructure and relationships between these agencies and key audiences as trusted messengers to ensure efficiency and increase our reach.

Section 3:

Building Financial Stability and Intergenerational Assets

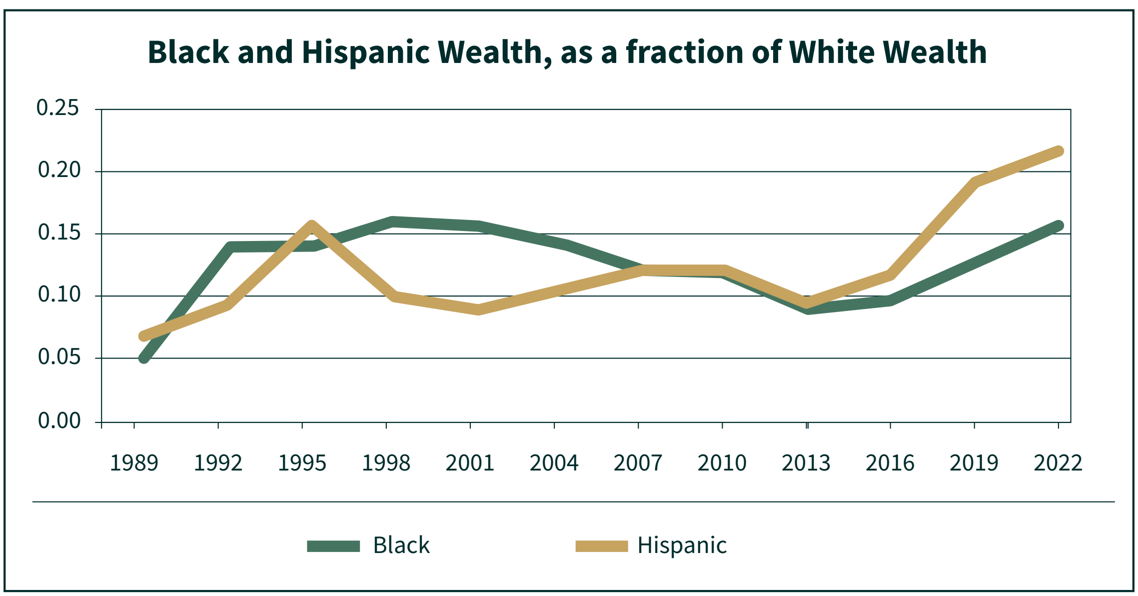
Financial assets play a pivotal role in achieving family financial security. Research consistently underscores that well-paying jobs, while crucial, are insufficient for personal financial stability.[17] Recognizing that tax administration and capital access programs help families build wealth, TACRE members have recommended that the Treasury Department examine and put in place policies, practices, and systems to help catalyze generational wealth in historically underserved communities.

Figure 1 – Closing the Racial Wealth Gap

Entrenched disparities in our society and economy, at times exacerbated by the federal government, have often made it harder for Americans of color to have a fair shot at the American dream. Centuries of injustice and decades of disinvestment in Black communities and other communities of color undermine the American promise of equal opportunity and prevent the nation from reaching its potential.[18]

Decades of research have documented that the ability to build wealth varies significantly by a household's demographics.[19] Therefore, the economic benefits of asset building have yet to be equitably distributed, as evidenced by the persistent gaps in household wealth by race and ethnicity.[20]

Despite substantial gains in wealth between 2019 and 2022 for all groups—and relatively significant gains for Black and Hispanic families—white households continue to hold much more wealth than Black and Hispanic families. The figure below shows that, in 2022, the typical Black and Hispanic families owned only about 16 and 22 cents for every $1 held by the typical white family.



Note: Wealth gaps shown are median of Black/Hispanic nominal wealth to white wealth, as published by the Survey of Consumer Finances, Federal Reserve Board.

Treasury has directed efforts and resources to leverage its existing and potential policy tools to foster financial security and build wealth in historically marginalized communities. Over the next several years, Treasury's implementation of ARPA programs, tax incentives from CHIPs and IRA legislation, and other ongoing programs create an opportunity for the Department to build on the insights of earlier efforts and leverage the advice and recommendations of TACRE to address barriers that inhibit communities from building financial wealth.

Treasury is promoting equitable capital distribution by investing in mission lenders.

Access to capital can open doors to asset ownership and opportunities to build generational community wealth. However, affordable and responsible capital sources must often be accessible to many people, businesses, and neighborhoods.[21] A lack of access to affordable credit and capital can, in turn, constrain home, business, and other asset ownership opportunities. Since early 2021, Treasury has deployed a historic amount of capital to Community Development Financial Institutions (CDFIs) and Minority Depository Institutions (MDIs), a critical part of our nation's financial infrastructure for delivering responsible capital and credit to diverse, financially underserved market segments, through the deployment of investment capital made available through ARPA, the Treasury has redoubled efforts to focus the nation's community finance system on the people and places that continue to struggle to obtain the financing needed to boost local economic growth and business opportunities. Specifically, the Treasury has:

Prioritizing lenders with a demonstrated successful capital deployment track record in the most under-resourced places. Through the Emergency Capital Investment Program (ECIP), $8.57 billion has been invested in 175 community financial institutions across the country, including $1.6 billion invested in Latino-owned and Latino-majority shareholder depository institutions and $1.4 billion invested into Black-owned and Black-majority shareholder depository institutions. Based on information provided by ECIP program participants, investments across the entire ECIP portfolio could increase lending in Latino communities by nearly $58 billion and nearly $80 billion in Black communities over the next decade. The CDFI Equitable Recovery Program (ERP) includes the promising commitment of 179 recipient organizations to serve minority individuals or to minority-owned or controlled businesses received a total of $420.6 million in awards, including a historic $226 million investment to 69 credit unions and one loan fund in Puerto Rico.[22]

Strengthening CDFI certification. In December 2023, Treasury's CDFI Fund revised the CDFI certification application and related guidance, including the key elements that align with TACRE recommendations and other feedback received from community stakeholders, such as establishing clear standards for responsible lending, collecting additional transaction-level information and demographic information on the board members and executive leaders of CDFIs, and expanding the focus on Vietnamese, Filipino, Native Hawai'ian, and Alaska Native communities.

Expanding Treasury business with MDIs. In March 2024, the Treasury signed a new agreement with Liberty Bank & Trust (Liberty) to receive and process over-the-counter cash and check deposits from the IRS Kansas City Service Center. Liberty is a Black-owned Bank member of the Treasury's Minority Bank Deposit Program.[23] The IRS Kansas City Service Center has the most over-the-counter deposits of any agency location in the country at $725 million in FY23.

Looking Ahead

Treasury will continue to explore ways to support capital providers with demonstrated success in delivering financing to underserved people, businesses, and neighborhoods. Upcoming plans include:

- Exploring opportunities to incorporate the “Deep Impact Lending” model piloted under ECIP into other CDFI programs;
- Standardizing financial product definitions, which could promote secondary market opportunities and
- Implementing the Minority Lending Institution (MLI) designation will recognize CDFIs with high levels of service and accountability and facilitate understanding of what resources flow through these entities.
- Issuing a national strategy on financial inclusion, with the goal of expanding access to, use of, and equitable benefit of financial products and services for underserved communities, including communities of color.

Treasury is Expanding Opportunities for Small Businesses

The State Small Business Credit Initiative (SSBCI) is a nearly $10 billion investment in small businesses nationwide – an opportunity to expand and improve access to capital networks from coast to coast. Reauthorized and expanded by ARPA, SSBCI provides funding to states, the District of Columbia, territories, and Tribal governments for programs that catalyze lending and investment in small businesses build ecosystems of opportunity and entrepreneurship, support high-quality jobs, and create opportunities for entrepreneurs to build generational wealth. SSBCI allocates over $2 billion in funding and incentives to support underserved businesses. Consistent with recommendations from TACRE, the Treasury has created a framework to promote detailed demographic data collection, including the race and ethnicity of program beneficiaries, to aid in accountability and the public’s understanding of the program’s reach and impact. Recent important milestones include:

Jurisdictions deploying over $1 billion in SSBCI funds as of the end of 2023. This deployment includes SSBCI funds that resulted in lending or investment in small businesses or were formally committed venture capital funds that will invest in small companies.

Jurisdictions putting SSBCI dollars to work to support underserved, diverse, and emerging fund managers and entrepreneurs. Within SSBCI venture capital programs, many jurisdictions have chosen to expand access to capital for underserved small companies through direct investments or investments in venture capital funds that specialize in reaching underserved entrepreneurs. SSBCI anticipates these investments will be key in improving access to capital for small companies and chronically underfunded asset managers. Data for SSBCI-supported venture capital programs is preliminary – but as of April 2024, 47 venture capital funds have received an SSBCI capital commitment, of which 30 are owned or managed by traditionally underserved fund managers or have an investment strategy that includes a focus on supporting companies with traditionally underserved founders/leaders.

Opening the SSBCI Investing in America Small Business Opportunity Program (SBOP) application portal. Treasury intends to award up to $75 million in federal grants to eligible applicants to support programs that deliver technical assistance (TA) such as legal, accounting, and financial advisory services to eligible very small and underserved businesses. SBOP builds upon the SSBCI funding for technical assistance delivered through the Treasury's formula-based SSBCI Technical Assistance Grant Program and the Minority Business Development Agency's (MBDA) Capital Readiness Program and will help successful applicants help entrepreneurs and small business owners – particularly those that have been underserved – take advantage of opportunities in infrastructure, manufacturing, clean energy, climate resiliency, and other critical sectors.

Figure 2 - Enhancing Access to Credit in the Latino Community through SSBCI

latinoconnection™

The Latino Connection (TLC), based in Harrisburg, Pennsylvania, is a community-first organization. As a consultancy focused primarily on outreach and education initiatives to support underserved communities, the organization aims to educate, empower, and uplift the Latino community. The company runs its social services initiatives and offers services to help clients deliver health and education programming in communities across Harrisburg.

In 2023, the company hit a growth milestone when it acquired another firm – a merger that will allow TLC to add marketing and communications business lines to its roster of services. This growth of services and staff required a new space – a new home in which TLC will build a new culture and align to serve its clients and their constituents better and attract new clients. In looking for financing to fuel this expansion, TLC did not have sufficient capital for a traditional loan. TLC turned to Capital Region Economic Development Corp. (CREDC), a nonprofit community economic development organization enrolled in the Pennsylvania Department of Community and Economic Development's SSBCI loan participation program. Using SSBCI funds leveraged by private credit issued to purchase the real estate, CREDC was able to design a credit-enhanced deal of $250,000 to support renovation and fit out of the space, the hub of the growing TLC. Melissa Stone, Vice President of Economic Development with the Capital Region Economic Development Corp., noted the critical role that the SSBCI dollars played in this transaction and in others: "SSBCI helps us to 'tick' the credit boxes on transactions that we want to do, and otherwise, would not be able to close."

Figure 3 -SSBCI Supporting Telehealth Services

JuneBrain

Baltimore-based, woman-owned telehealth tech company JuneBrain aims to provide remote monitoring devices to help physicians and patients access care for eye and brain health. JuneBrain's AI-based eye-scanning solution is intended to enable providers to identify and monitor disease activity in their patients without requiring in-person appointments. The technology is complemented by a mobile application for patients to communicate securely with healthcare providers. Maryland Technology Development Corp., or TEDCO, provided an SSBCI investment of $150,000 into JuneBrain through its Social Impact Fund, matched with a further $150,000 from angel investment in the company. With this funding, JuneBrain has continued its mission to support medical professionals and patients by allowing them to monitor patients remotely and continue receiving care from the comfort of their homes.

Figure 4: Leveraging Partnerships to Extend Impact

Treasury has engaged extensively with the private sector and philanthropic organizations as a force multiplier in departmental efforts.

- The Treasury Department and Economic Opportunity Coalition announced a new goal to secure $3 billion in committed deposits by the fall of 2024 from companies for community lenders with a proven record of reaching low-income, rural, and other underserved communities. Industry leaders in Investing in America sectors – semiconductor manufacturing, clean energy manufacturing, transportation, heavy industry, and biomanufacturing – are committing to spend at least 15 percent of their U.S.-based goods and services with small and underserved business suppliers by 2025, further strengthening and diversifying domestic supply chains.
- The Initiative for Inclusive Entrepreneurship (IIE), a collaboration between the private sector and the Treasury Department that was announced at the 2022 Freedman's Bank Forum, launched an investment fund to leverage $80 million in private and philanthropic capital to help the Department's State Small Business Credit Initiative expand access to capital for underserved small businesses.
- The Treasury Department is participating in a six-month strategy sprint hosted by Brookings and the Lincoln Institute of Land Policy on the 48(e) Low-Income Communities Bonus Credit Program to mobilize private and nonprofit support for the equitable implementation of the Inflation Reduction Act (IRA). The goal is to identify barriers and address challenges with outside support.

Treasury is Enabling Broader Economic Participation

Expanding access to quality jobs is a cornerstone of the Administration's IRA, CHIPS, and BIL strategy. Research shows that from the passage of the IRA through December 2023, more than 80 percent of announced clean energy investments have gone to counties with below-average college graduation rates, and 75 percent have gone to counties with median incomes below the US median.[24] Because the IRA makes 12 clean energy tax incentives five times larger if prevailing wage and apprenticeship (PWA) requirements are met, there is a strong likelihood of strengthening local economic opportunity through IRA investments. Treasury is exploring ways to support the job creation and economic growth spurred by this historic suite of legislation to ensure all Americans benefit from these investments.

Creating good jobs and expanding pathways into clean energy fields. In August 2023, the Treasury published proposed regulations on the PWA requirements that provide employers and workers with clarity and direction. The proposed rules also incentivized employers to adopt worker-centric practices and to use Project Labor Agreements for clean energy projects. Treasury also takes meaningful steps to prioritize and protect labor standards and job opportunities. For example, the Treasury's 48C Advanced Energy Credit implementation incorporates workforce and community engagement. Applicants for that allocated credit must submit a community engagement plan providing information about (among other things):

- Jobs created:
- Partnerships with apprenticeship programs and other organizations, including those serving workers who face systematic barriers to employment;
- Engagement with community and labor stakeholders and efforts to ensure workforce availability, including training programs that serve workers underrepresented in the sector and
- Local environmental impacts.

Encouraging best practices for State and Local Fiscal Recovery Fund (SLFRF) recipients to build on their over $12.8 billion investment in the workforce. In September 2023, the White House released a playbook highlighting state and local government initiatives that leverage ARP funds to build a diverse, skilled workforce. To date, local governments that received State and Local Fiscal Recovery funds have budgeted $12.8 billion to support workers in over 2,000 jurisdictions totaling over 4,300 projects. The Bipartisan Infrastructure Law, the CHIPS and Science Act, and the Inflation Reduction Act are expanding economic opportunity to urban and rural communities in every corner of the US, and the SLFRF program's investments in workforce development are making sure that those opportunities are available to American workers – whether or not they have a college degree.

Section 4:

Making Tax Systems Work for All

From people filing their income tax returns to getting health insurance through Affordable Care Act marketplaces to people claiming new clean energy incentives from the IRA, nearly every American is impacted by our nation's federal tax system. Moreover, the Internal Revenue Service (IRS) collects nearly all federal revenues, which fund everything from Social Security to drug safety. Increasingly, the IRS is essential in delivering income support and financial relief to low-income households. For example, during the pandemic, the IRS administered three rounds of Economic Impact Payments to aid low- and moderate-income families, resulting in 476 million payments totaling more than $814 billion. The IRS also played a pivotal role in implementing the Advanced Child Tax Credit, which delivered $94 billion in aid to over 60 million children in monthly payments from July to December 2021.[25] The Expanded Child Tax Credit dropped childhood poverty by almost 50 percent, with even more significant drops for Black and Hispanic children.

Unfortunately, decades of underfunding have inhibited investments in technology and customer services and undermined the enforcement of the ultra-wealthy and large corporations. Thanks to an infusion of resources from the IRA, the IRS is modernizing its technology, customer service, and enforcement to deliver effectively for the American people. To guide this effort, the IRS published its Strategic Operating Plan (SOP) in April 2023, laying out a blueprint for dramatically improving services for taxpayers and expanding enforcement for high-income taxpayers, large corporations, and complex partnerships to address the tax gap.[26] TACRE provided timely advice to the Treasury to ensure the tax administration needs of the nation's most vulnerable tax filers are considered in the overall modernization effort.

Treasury is ensuring tax systems are fair and accessible for all Americans.

For all the roles the IRS plays in fueling essential services families rely on to deliver needed support to struggling Americans, the tax system must work fairly and efficiently for everyone. However, there is evidence that this has not always been the case. Low-income consumers often have to rely on expensive tax preparation services to file their taxes – some of which may attempt to scam or defraud families out of their refund – and recent research from Treasury and Stanford University found that Black tax filers claiming the Earned Income Tax Credit (EITC) are audited disproportionately compared to their White peers. Treasury and the IRS are taking the steps necessary to build and repair systems so all Americans can be confident the tax system is fair. Key steps include:

Launching the Direct File Pilot with all taxpayers in mind. During the 2024 filing season, the IRS piloted Direct File, a historic new service that allows eligible taxpayers to file their tax returns online, for free, directly with the IRS. A key focus of Direct File is helping taxpayers access all the credits and deductions to which they are entitled. One innovative feature of Direct File is a live chat feature that allows users to get help from dedicated Direct File customer support representatives. The Direct File Pilot is available in English and Spanish for eligible tax filers with Social Security Numbers or Individual Tax Identification Numbers (ITINs). Customer service functions, including the live, in-person chat feature, are available in English and Spanish. In keeping with the best practices outlined above in *Section 2: Meeting Communities Where They Are*, the design phase included engagement with Spanish speakers and Spanish-language focus groups to ensure the pilot product reflected the needs of a diverse tax filing population.

Addressing audit disparities experienced by Black EITC filers. In implementing the Strategic Operating Plan, the IRS has announced several steps to improve fairness and while increasing payment accuracy. As part of those efforts, the IRS is substantially reducing the number of audits focused specifically on refundable credits including the Earned Income Tax Credit. This change is expected to reduce racial disparities in audits while increasing payment accuracy. The IRS recognizes over-reliance on audits to resolve basic errors can lead to fewer taxpayers receiving credits and deductions for which they are eligible. The IRS has increased education and outreach to help taxpayers avoid common mistakes. In addition, the IRS is piloting changes in the risk-scoring system used to select EITC cases audit. Internal testing suggests this will increase the expected return on investment for cases selected while simultaneously reducing disparities. The IRS is also piloting two additional alternative approaches to selecting EITC cases for audit. The IRS will publicly report on the results of these pilots and, if they yield the anticipated improvements in fairness, they could be the basis for further changes in a future filing season.

Conducting new analysis on the fairness of tax administration. The IRS is developing a deeper understanding of the findings in the research described above, including extending that analysis to understand the experiences of Hispanic taxpayers and other populations, as recommended by TACRE, Members of Congress, and other advocates. The IRS is also undertaking a new project to review the private debt collection program, as the Government Accountability Office (GAO) recommended.[27]

Providing a comprehensive view of tax noncompliance. Treasury and the IRS agree with the importance of providing comprehensive reporting on all sources of noncompliance. Consistent with recommendations from TACRE, Members of Congress, and tax advocates, the IRS transitioned to annual reporting on the tax gap beginning in 2022 to provide more timely statistics on noncompliance, including underpayment of tax. Specifically, the IRS will release tax gap projections or estimates (or both) annually. In October 2022, the IRS released tax gap estimates for tax years 2014-2016 and tax gap projections for 2017-2019.[28] In October 2023, the IRS released tax gap projections for 2020-2021.[29] In addition, while the Treasury reports improper payment rates for certain refundable credits, it has long held that these credits are more appropriately addressed as part of the comprehensive tax gap estimates, consistent with TACRE's recommendation.[30]

Treasury and the IRS are ensuring ITINs are accessible to eligible tax filers and exploring steps to enable a more digitized system. In January 2024, the pause on ITIN Certifying Acceptance Agents (CAA) applications was lifted, and a new electronic CAA application process and document upload tool was launched. This new CAA tool converted the prior CAA paper application process to an electronic one. Since officially resuming the acceptance of new ITIN CAA applications as of March 2024, the IRS has received approximately 1,000 applications for new agents. As a result, 133,000 ITINs have already been issued in 2024, with 115,000 new ITINs and 18,000 renewed ITINs. Having a local agent accept and process the documents required to obtain an ITIN is simpler and less intimidating than shipping documents directly to the IRS.

Looking Ahead

Treasury is committed to public transparency on the action steps outlined above. In the following year, Treasury expects to have results on significant first-of-its-kind efforts, including Direct File and changes to audit selection criteria. In addition, the Treasury supports the IRS in its effort to focus more holistically on promoting the uptake of tax credits. Specifically, the IRS plans to:

- **Regularly evaluate the fairness of IRS systems, selection tools and programs, compliance strategies, and treatments.** The IRS will research and partner with others to understand potential systemic bias and identify disparities across age, gender, geography, race, and ethnicity. It will also improve enforcement practices to help ensure fairness in compliance and enforcement. As informed by research, the IRS will continually refine its approaches to compliance and enforcement to improve fairness in tax administration and maintain accountability to taxpayers.

Treasury is improving access to eligible tax credits and incentives.

A primary objective in the IRS's SOP is to dramatically improve services to help taxpayers meet their obligations and receive the tax credits and deductions for which they are eligible.[31] In the *Meeting Communities Where They Are* section, Treasury detailed community feedback loops that inform the design of policies and systems to ensure they are responsive to underserved and vulnerable tax filers. Also described above, the Direct File tool enables free access to key refundable tax credits such as the EITC and the Child Tax Credit (CTC).

As the IRS seeks to create systems that provide individuals and small businesses with education and assistance in claiming available incentives, Treasury is committed to supporting their effort through setting policy goals and supporting outreach and partnership efforts on credits for families and workers and the new clean energy tax incentives available through IRA, including:

Supporting tax credit uptake through estimates of refundable tax credit participation rates. In addition to the information on EITC participation rates that the IRS already publishes, the IRS will publish estimates of take-up for additional credits, including the CTC, the Premium Tax Credit (PTC), and other credits. The IRS will publicly share information about the characteristics of people who appear eligible for credits but do not claim them. This information will then inform outreach strategies. The IRS will seek to improve the accuracy of returns by assisting taxpayers who have filed a return and appear eligible for a credit to claim the credit.

Prioritizing nonprofits, low-income households, and emerging businesses in the design of the Low-Income Community Bonus Credit Program. The IRA provides a significant incentive on top of the existing 30 percent Investment Tax Credit to support deploying renewable energy technology to benefit low-income communities, Indian lands, affordable housing, and low-income households. As the Treasury developed policy for this provision, stakeholders highlighted the importance of ensuring low-income families, emerging businesses, and community institutions benefit. Businesses and institutions best positioned to serve low-income households often need additional time to develop projects and put together competitive applications. To address these barriers, the Treasury prioritized at least 50 percent of the program's initial capacity each year for facilities in areas with the highest energy costs and the least investment and facilities owned by tribal enterprises, nonprofits, including local and tribal governments, consumers or worker cooperatives, and emerging market businesses. In the first year of the program, the program received over 46,000 applications within the first 30 days. Nearly a quarter of those applications met the priority criteria.

Increasing face-to-face IRS support across all geographies: The IRS is increasing staffing at more than 350 Taxpayers Assistance Centers (TACs) nationwide to provide an additional 8,500 hours of in-person support (including in the Mississippi River Delta and Puerto Rico). IRS exceeded that goal well before the end of the filing season. As of early April 2024, the IRS had provided an additional 9,000 hours of in-person support. In addition, the IRS extended hours at nearly 250 TACs and offered special Saturday hours at TAC locations around the country. On the final Saturday of filing season, April 13, more than 70 TACs were open to help taxpayers. IRS also plans to expand the utilization of "Pop-up Live Assistance Centers" to serve rural areas and other areas not located near a TAC.

Looking Ahead

To assess the level of uptake among taxpayers eligible for refundable tax credits and IRA incentives, the Treasury and IRS will evaluate the success of their efforts from the 2023 tax filing season and use these findings to inform uptake strategies—specifically, the Treasury and IRS plan to undertake the following activities.

- **Helping taxpayers claim credits and deductions they are eligible for:** The IRS will continue its work to remove barriers to claiming credits for eligible individuals and small businesses, including those who are not required to file tax returns, while maintaining robust measures to prevent errors, fraud, and abuse; this includes reviewing and revising policies and processes to make the process for taxpayers to claim credits and deductions more efficient.
- **Improving outreach to people eligible for credits and deductions they do not claim:** The Treasury and the IRS will also continue to build on past outreach efforts, including mailing campaigns for people who may be eligible for the EITC and CTC and mailing campaigns for people who appear to be uninsured and eligible for financial assistance for purchasing health insurance. The agencies will look for avenues for additional outreach going forward, focusing on simplifying notices and partnering with local organizations.
- **Continuing support for and expansion of in-person taxpayer assistance across all geographies**: Selected VITA sites will offer free tax return preparation assistance to taxpayers who participate in the "gig" or small business economies. IRS will also expand service through VITA partnerships and provide free tax return preparation assistance through community partners.

Section 5:

Measuring Effectiveness and Expanding Research

Gathering the data necessary to understand how programs affect people who are often underserved, underrepresented, or at risk of being harmed by a policy is essential to determining the impact and success of the Treasury's aspirations to drive a more equitable and inclusive economy. Moreover, transparency in the implementation and Administration of programs and core public services is a cornerstone in establishing trust between the Treasury and the public, ensuring accountability for taxpayer dollars. In addition to gathering performance data that enhances the Treasury's ability to serve communities, it has also sought to advance research in critical areas related to racial equity.

Consistent with EO 13985, Treasury initiated the collection of new program performance data, including demographic data collection across COVID relief, CDFI, and small business programs.[32] Moreover, in May 2023, the Treasury issued its Sexual Orientation and Gender Identity (SOGI) data action plan. Treasury also expanded its equity analysis in emerging policy areas. For example, in September 2022, the Treasury released a report on the consumer risks and opportunities associated with crypto-assets, which are heavily marketed toward communities of color. The report discusses the implications of these opportunities and risks for consumers, investors, and businesses, focusing on communities most vulnerable to disparate impact.[33] In September 2023, the Treasury released its first-ever report on the household finance impacts of climate change. The report examined the relationship between climate hazards and community vulnerability and identified communities at particular risk, including many communities of color. It also identified available federal resources for consumers.[34]

Treasury has also expanded its analysis on the intersections of race and tax. *In January 2023, Treasury researchers published an analysis of eight of the largest tax expenditures by race, advancing prior work that lacked these details.*[35] *In May 2023, Treasury and Census researchers published an analysis of the demographics of recipients of the first-round Economic Impact Payments in 2020.*

Treasury is conducting new racial analysis on tax policy and expanding opportunities for scholars outside government.

Treasury is committed to expanding research on the intersections of tax, fiscal and economic policy, and race and ethnicity. Under Secretary Yellen, Treasury has incorporated a new focus on developing methods to analyze race and ethnicity and publishing new research and analysis using this imputation model. Key actions include:

Publishing new research on the distribution of tax expenditures by race and ethnicity. This research finds that the preferential rates for capital gains and dividends, deduction for pass-through income, charitable deduction, home mortgage interest deduction, and deduction for employer-provided health insurance disproportionately benefit White families.

Publishing new research on the demographics of the recipients of Economic Impact Payments (EIPs) in 2020 in collaboration with the Census. This analysis found that 92 percent of potentially eligible individuals received an EIP, outpacing estimated receipt rates for other tax credits and nontax benefits. Receipt rates were near 90 percent for most race and ethnicity groups. However, they were highest for White individuals and lowest for Hispanic individuals and individuals that indicated they are of a race other than American Indian or Alaska Native, Asian, Black, Native Hawaiian or Pacific Islander, or White.

Publishing a new working paper on distributing marriage penalties and bonuses by race and ethnicity. The paper detailed how income distribution in married couples reported on tax returns differed from data reported in public use datasets. The analysis affirmed research outside of the Treasury that showed Black and Hispanic couples are more likely to face a marriage penalty than White couples in several income classes above $100,000, resulting in large part from both earners in the couple having similar earnings. In contrast, the Treasury analysis suggested that White couples in several lower income categories face a higher penalty rate than Black couples because the tax model data do not suggest a higher prevalence of two equal-earning spouses among Black families in this income range.[36]

Coordinating discussion of research on methods to impute race and ethnicity in administrative data. The Office of Tax Analysis organized a session at the 2024 annual meeting of the Allied Social Sciences Associations on Advances in Imputing Race and Ethnicity to Administrative Data. The panel at the Allied Social Sciences Associations meeting included new research on imputing race from researchers across government, including the Congressional Budget Office, the Joint Committee on Taxation, and the Census Bureau.

Publishing the first-ever distributional analysis by race of three Administration tax proposals with the Greenbook. In response to TACRE recommendations to incorporate racial analysis into the examination of the President's revenue proposals, Treasury published a deep-dive on the impact of tax policy on the racial wealth gap and distributional analysis on an expansion of the Child Tax Credit, an expansion of the Earned Income Tax Credit, and limiting the preferential tax rates on capital income.[37]

Publishing a Notice of Proposed Rulemaking that would expand access to tax data for statistical uses at the Census Bureau. The IRS has a long history of sharing tax information with the Census to improve the Bureau's statistical programs, and the regulations that govern this sharing have been updated periodically to facilitate the Bureau's work. On March 28, 2024, the Treasury and the IRS issued a notice of proposed rulemaking that would update these regulations to provide the Census with additional information requested by the Secretary of Commerce and in line with TACRE recommendations; this includes additional information on individual incomes, deductions, and credits; business deductions; health insurance coverage; gig economy and contingent work arrangements, among other items.

Looking Ahead

Treasury and the IRS continue to explore ways to expand relevant tax code analysis and make data available to outside scholars and researchers. Key upcoming efforts include:

- The IRS plans to issue an annual call for research under the Joint Statistical Research Program (JSRP). The next call is anticipated in June 2024. At that time, additional race and equity-related data may be added to IRS data. The call for proposals will be published widely, and the Treasury will support the effort with dedicated outreach to the Black Economic Alliance and Historically Black Colleges and Universities, the American Society for Hispanic Economists, Sadie Collective, the National Economic Association, and the Joint Center for Political and Economic Studies among other diverse scholars.

Treasury uses performance data to refine initiatives and strengthen its responsiveness to underserved communities.

With expanded program performance data, Treasury has new opportunities for continuous learning and refinement of policies and programs to ensure no families, businesses, or communities are left behind.

Key actions include:

Designing a comprehensive evaluation plan for Direct File. Treasury will measure the success of the Direct File Pilot across multiple quantitative and qualitative evaluation methods, drawing from TACRE recommendations and other stakeholders. Quantitative data will be collected from Google Analytics, IRS analytics, burden surveys, the 2024 Taxpayer Experience Survey, and Customer Support Center analytics, among other sources. Direct File users can share qualitative feedback through opt-in email-based surveys. There are important lessons to learn from the Direct File pilot, such as which eligible segments of the population did not use Direct File, what barriers they may have faced to complete their taxes with Direct File, and how outreach, education, and customer service can improve. Treasury will capture insights from customer support analytics to inform product changes and proactively address user barriers.

Gathering disaggregated demographic data on the lending of participants in ECIP and ERP. The Consolidated Appropriations Act of 2021, which authorized the CDFI Equitable Recovery Program and the Emergency Capital Investment Program, among others, provides a waiver of the ECOA restrictions on demographic data collection for institutions concerning their utilization of ERP and ECIP resources; this allows the CDFI Fund and Treasury's ECIP to require awardees to report on their lending under these programs in disaggregated demographic categories. ECIP has already begun to share some of this data publicly, and the CDFI Fund will do so with ERP data once it has received and reviewed reports and transaction-level data from award recipients.

Collecting disaggregated data on SSBCI. As part of their reporting to Treasury, SSBCI's participating jurisdictions collect information from businesses that receive SSBCI-supported loans and investments, including data on race and ethnicity, that can be used to help measure the impact of SSBCI capital on these communities. Building on the approach taken in the first iteration of SSBCI, Treasury intends to release public reporting leveraging and summarizing key data over the program lifecycle.

Section 6:

Fostering an Inclusive Treasury Department

Secretary Yellen is committed to building a department that reflects the diversity of the American public it serves. Under Secretary Yellen's leadership, we have seen historic levels of representation. People of color represent 44 percent of appointees, and over half of senior positions are now occupied by women. Treasury is building an infrastructure of career subject matter experts that will shepherd this work in the long term. For example, in 2022, the Department launched the Equity Hub, a team of career policy experts working across Treasury policy teams to support equity analysis, policy design, and reporting. In January 2024, the Treasury welcomed its first Chief Diversity, Equity, Inclusion, and Accessibility Officer, who is the highest-ranking career official to lead these efforts across Bureaus and partnerships with other federal agencies. The Department is taking steps to become a stronger partner and customer for small businesses by removing barriers for traditionally underserved businesses; this is consistent with President Biden's goal of increasing the share of federal contracts going to small disadvantaged businesses to 15 percent.

Treasury is Becoming a Better Customer

The federal government is often one of a small disadvantaged business's best customers. Unfortunately, obtaining the first federal government contract can be a challenge. The Biden-Harris Administration has defined public policy goals to advance equity in federal procurement,[38] and has established goals to increase federal contract dollars to small disadvantaged businesses. Treasury is leveling the playing field in agency procurement, including several actions aligned with TACRE recommendations.

Key actions include:

Enhancing Transparency. Treasury's Office of Minority and Women Inclusion (OMWI) publishes an annual report to Congress analyzing Treasury Departmental Offices' contract obligations, total awards, and percentages of awards by minority status, specific race/ethnic group ownership, as well as businesses owned by women (including minority women). In response to TACRE recommendations, OMWI also has further analyzed disaggregated Treasury contracting data by specific underrepresented business groups compared with 1) broader federal government contracting data and 2) census data of relative representation in the market. This assessment allows the Treasury to contextualize the Department's track record with peers and industry standards.

Identifying and lowering barriers to entry. In 2023 and 2024, Treasury Bureau procurement offices began using data-driven tools to define their small business marketing strategy and establish performance measures. Bureaus are required to report to the Treasury how their strategies and management controls are reducing barriers for small, minority-owned, and women-owned businesses seeking to do business with the Treasury. Leveraging TACRE's advice, the Treasury plans to do ongoing assessments, such as soliciting formal public input, convening industry engagement sessions with individual companies and senior officials, and hosting outreach sessions to underrepresented communities to obtain direct feedback on specific issues that may impede their procurement and contracting opportunities.

Turning data into informed action. Treasury has developed tools to disaggregate data to provide procurement teams with market intelligence that shows opportunities to support traditionally underserved and small business suppliers. For example, the Treasury has created an Equity Heat Map to identify expiring contracts where opportunities are available for small businesses, breaking down spending by demographics of the business owners to see where additional opportunities are available for small businesses and using NAICS codes to show opportunities by geography. By pairing information gathered through surveys, focus groups, and opportunity mapping, procurement officials can more readily identify barriers and opportunities for underserved businesses.

Building capacity of potential new entrants to obtain a contract with Treasury. To support capacity building for new diverse entrants and break down the barriers of exclusionary networks, the Treasury instituted a Business Partner Network (BPN) that brings the Treasury's prime contractors and their subcontractors into a partnership agreement with the Treasury's Office of Small disadvantaged business Utilization. These prime and subcontractors are large and small businesses, and their partnership with the Treasury provides insight into who is doing business with the Treasury. The BPN aims to focus on the prime-to-subcontractor relationship, increase small business subcontracting in Treasury contracts, and assist prime contractors in locating new entrants[39] as subcontractors.

Increasing accessibility and transparency. To increase accessibility and transparency, the Treasury has provided reasonable accommodation tools such as sign language interpreters, braille embossed business cards, large print materials, and materials in Mandarin, Chinese, and Spanish. Treasury also holds industry days in English and Spanish.

Looking Ahead

With new data tools and outreach practices in place, Treasury plans to evaluate its efforts and continue to advance equity in procurement.

- **Creating feedback loops for new entrants to inform Treasury practice.** Treasury is launching new and recent Entrant Roundtables to learn from successful small businesses recently obtaining their first Treasury contract. These roundtables are designed to identify barriers to entry, practices that best enable businesses to overcome these barriers, and additional barriers that remain. The goal is to replicate these successes for more businesses and lower or remove remaining barriers to entry.
- **Auditing procurement requirements.** As resources allow, Treasury intends to audit procurement requirements to understand the motivators and obstacles that dissuade small businesses from responding to or pursuing Treasury contracting opportunities. The audit aims to target businesses considering a contracting opportunity and obtain specific feedback on their decision-making process. The insight gained from the audit may lead to process improvements within the procurement process.
- **Refining and expand accessibility strategies.** Treasury plans to build upon these initiatives, refining and expanding strategies to make business interactions more accessible. Future initiatives will focus on continuous improvement, ensuring that systems, policies, and practices evolve to meet businesses' changing needs. This forward-looking approach underscores Treasury's dedication to fostering an equitable procurement environment.

Figure 5: Using market research to find new entrants to Treasury procurement

Treasury's Bureau of the Fiscal Service (BFS) Administrative Resource Center (ARC) replaced a large business incumbent contract with a small disadvantaged business contract worth a total possible value of $67.9 million over five years. In fiscal year 2023, BFS ARC leveraged the Department's market research tools to identify alternate hosting providers, infrastructure, and related professional services used by BFS, Treasury customers, and external customers. This market research identified Seneca Strategic Partners, LLC, a Native American-owned, small disadvantaged business located in a historically underutilized business zone (HUBZone), as a vendor capable of providing the needed services. The resultant contract award is the single-largest award ever made by BFS under the 8(a) Program, the largest to a Native American-owned business, and the largest to a small business located in a HUBZone.

Treasury is Fostering a Data-Driven Approach to Building Talent Pipelines, Inclusive Culture, and Career Mobility

Treasury is bringing the same data-driven approach to developing departmental talent as it is doing for policy and procurement analysis. Grounding efforts in data on employee representation and workplace sentiments allow the Treasury to develop specific strategies to attract and retain talent and ensure that employees can move up in the Department. Treasury aims to highlight the tangible outcomes of its data-driven approach in creating a workplace that values diversity, promotes inclusivity, and supports all its employees' professional growth and mobility. TACRE underscored the importance of conducting comprehensive baseline talent diagnostics, utilizing multi-faceted analyses of all employment transactions. Key actions include:

Deployed a tool to track workforce representation. To better inform its data-driven approach to assessing workforce equity, Treasury's Office of Minority and Women Inclusion (OMWI) has developed a tool to track workforce representation across race, ethnicity, and gender by grade level and within mission-critical occupations; this will help provide greater insight into trends or gaps that may signal barriers to employment and advancement.

Provided inputs to update USAStaffing to enable applicant flow analysis. Treasury's OMWI has made diversity in outreach and recruitment a priority by initiating a partnership with a service that automatically retrieves Treasury-wide job vacancies from USAJOBS.gov and distributes them daily to nearly 40 diverse networks of job seekers, including people of color, women, LGBTQ+, veterans, and people with disabilities. In the first year of this service, Treasury received more than 16,500 new job applications from individuals in these networks.

Expanded Treasury's Inclusion Survey. Treasury began conducting a separate Inclusion Survey in 2022 after the Office of Personnel Management removed the former Inclusion Index from the Federal Employment Viewpoint Survey. Funding constraints limited the Treasury Inclusion Survey sample size to 13 percent of the entire Treasury workforce in 2022 and 2023. Following TACRE's recommendation to expand the survey, the Administration of the 2024 survey was reconfigured and conducted on the full census of the workforce in all Treasury bureaus, except for the IRS, for which sampling was conducted due to the size of its workforce. As a result, a more significant number of employees participated in the survey, which will lead to greater validity of results.

Expanded existing mentorship staff development programs. Ensuring that mentorship is available to all employees who seek one is an important priority. ITM offers all Treasury managers mentorship training, and ODEIA and OMWI provide additional training resources, such as "Mentor in a Box," a compilation of recordings by key Treasury leaders who provide career advice to all Treasury employees.

Looking Ahead

Treasury is developing additional data analysis and display tools to enable leadership and managers to track trends better and inform hiring, retention, and mobility efforts.

- **Improving data collection to track the diversity of applicant pools.** Treasury is restoring the technological system necessary to evaluate the diversity of the applicant pool for positions across the various stages of eligibility. This technology will help identify and reduce any barriers that may impede fair consideration of all qualified candidates for a Treasury position.
- **Exploring additional functionality for electronic dashboard systems to track performance management.** Electronic dashboard systems currently display and filter data on performance ratings and awards, performance improvement plan assignments, and promotion rates. Treasury is conducting an analysis of how disaggregated data could be incorporated into these systems to help provide insights into these processes.

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CONCLUSION

Over the last three years, the US Department of the Treasury has made significant strides in realizing President Biden's vision for an inclusive economy. Treasury has demonstrated a commitment to promoting equitable and sustainable economic growth through its policy work, program implementation, and engagement. By leveraging data-driven approaches and engaging with communities, Treasury has facilitated a more equitable economic recovery and laid the groundwork for long-term prosperity. Treasury will continue to build on these efforts, guided by equity, inclusivity, and fairness principles, to ensure all Americans can thrive.

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