

Pursuant to Executive Order 13985 (January 20, 2021) on "Advancing Racial Equity and Support for Underserved Communities Through the Federal Government"

## Equity Action Plan Summary

# U.S. Department of Treasury

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

## Delivering equity through Treasury

The American Rescue Plan (ARP) is a \$1.9 trillion package of which more than \$1 trillion is managed by Treasury to jumpstart the nation's economic recovery. Through its ARP investments, Treasury is working to ensure that families, businesses, and neighborhoods that have been historically excluded from economic opportunities or experienced persistent poverty are fully included in the nation's economic recovery and future growth.

## New strategies to advance equity

- **Foster an equitable recovery that helps ensure all Americans rebound from the economic consequences of a global pandemic**

Disadvantaged communities carried a double burden in this pandemic: both more likely to work in essential, frontline roles with a higher risk of exposure and more likely to lose those jobs as the pandemic caused the economy to contract. For example, leading into the pandemic, Black and Hispanic households experienced a disproportionate risk of eviction. Over half of Black (54 percent) and Hispanic (52 percent) renter households were rent burdened (paying more than 30 percent of their income toward rent) in 2019, as compared with 42 percent for Asian and White households. In response, Treasury is enabling more than \$25 billion, through the ARP, to be distributed or obligated, through flexible guidance to renters and landlords, with over 80 percent of funds going to the lowest-income Black and Hispanic/Latino households.

Treasury's Homeownership Assistance Fund (HAF) provides up to \$9.961 billion for the Department to make payments to states, U.S. territories, Indian Tribes or Tribally Designated Housing Entities (TDHEs), and the Department of Hawaiian Home Lands (DHHL) to mitigate financial hardships associated with the coronavirus pandemic. Treasury has made modifications to the Homeownership Assistance Fund (HAF) such that participants must structure their programs to effectively identify eligible homeowners based on data-driven assessments of homeowner needs. Finally, Treasury stewards Coronavirus State and Local Fiscal Recovery Funds (SLFRF). The final rule for the SLFRF program has strong equity provisions, including allowing broader funding uses specifically for communities that were disproportionately impacted by the public health and negative economic impacts of the pandemic, including to address preexisting disparities that amplified the pandemic's impact on underserved communities.

New strategies to advance equity

- **Capitalize community finance partners to ensure flow of mission-driven capital to families, businesses, and neighborhoods that need it most**

Community Development Financial Institutions (CDFI) and Minority Depository Institutions (MDIs) play a crucial role in providing credit, capital, and financial services to low- and moderate-income and minority communities in urban and rural areas that have been historically underserved by mainstream banks. While CDFIs and MDIs often serve as critical community partners both in everyday financial services and during disaster recovery, they often lack the capacity and capital to scale their efforts. To address this barrier, Treasury issued program guidance to eligible states, Tribes, and territories to present plans for expanding access to capital for underserved communities and to expend funds for Socially and Economically Disadvantaged Individuals (SEDI)-owned businesses. Treasury also launched the Emergency Capital Investment Program (ECIP), an \$8.7 billion program designed to support access to capital in communities traditionally excluded from the financial system and that have struggled the most during the COVID-19 crisis.

- **Ensure that the tax system promotes a fair economy & all Americans receive the benefits for which they are eligible**

A fair and equitable tax system is essential to promoting a stronger economy that works for all Americans. An analysis of how the tax code affects different race and ethnic groups is central to understanding the consequences, both intended and unintended, of the nation's tax laws. A detailed analysis of taxation equity requires reliable data on the race, ethnicity, gender, and other demographic characteristics of individual taxpayers. To make progress in this area, Treasury's Office of Tax Policy (OTP) will develop a general and reliable empirical methodology for analyzing the racial/ethnic equity implications of tax policy and tax administration questions, which could ultimately enable a better understanding of the effectiveness and equity of a variety of tax provisions. Additionally, under the ARP, the amount of the Child Tax Credit (CTC) was increased to up to \$3,600 per year for children aged five and

New strategies to advance equity

under (and up to \$3,000 for children aged six to seventeen for 2021), which has significantly reduced child poverty. Treasury's largest bureau, the Internal Revenue Service, has engaged in extensive outreach to taxpayers who received advance payments to provide information on how to file their tax returns and claim the remaining credits for which they are eligible.

● **Reform government debt collection practices**

At the end of FY 2021, the outstanding amount of non-tax receivables (debts) owed to the United States was \$2.1 trillion. However, at the end of FY 2021, delinquent non-tax debt owed to the federal government totaled \$197.7 billion. The collection of delinquent debts helps fund government operations, maintain key programs, and reduce the federal deficit. Therefore, it is important to find ways to cost-effectively collect the delinquent debt owed to the government while providing debtors with due process and the opportunity to repay debt in accordance with their financial ability. Treasury recognizes that it is important to evaluate whether these programs have standards in place to promote equitable outcomes in federal debt collection. To address this challenge, Treasury will, along with the Department of Justice, work with federal agencies to examine potential reforms in debt collection practices and seek to determine the extent to which regulatory changes could be made to help promote more equitable outcomes. Treasury will also examine whether there are ways to improve communication with debtors once they are referred for collection, including by determining whether to expand language options, present information more clearly and better educate debtors about their rights to dispute or resolve debts when they disagree with or have an inability to pay their debts.

● **Expand opportunity through contracting and procurement**

Treasury seeks to increase opportunities for small businesses and underserved communities to have access to Treasury contracting opportunities. However, an internal analysis suggests that elements of the Government-wide use of category management contracts may impact opportunities for members of underserved and disadvantaged

### New strategies to advance equity

businesses to compete for Treasury’s contracts. In response, Treasury has revised its category management and related acquisition policies to prioritize equity and supplier diversity instead of focusing exclusively on contracting efficiency and savings. The Department is also collaborating with the Small Business Administration and the Office of Management and Budget to define “new entrant” and employ tracking mechanisms to measure improvement in attracting new entrants to Treasury procurement. Treasury is planning to deploy a new electronic scorecard tool of Diversity, Equity and Inclusion (DEI) status across Treasury that will include data on procurement equity and has planned additional outreach events.

## Building on Treasury's progress

**This equity action plan builds on Treasury's progress delivering on equity and racial justice in the first year of the Biden-Harris Administration.**

- **Appointing a Counselor for Racial Equity**

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

- **Disbursing economic impact payments/advance Child Tax Credit Payment**

Since the passage of the American Rescue Plan (ARP), the Department has worked diligently to distribute more than 170 million economic impact payments (EIPs) totaling more than \$400 billion to help Americans weather the financial hardship caused by the pandemic and advancing over \$92 billion in Child Tax Credit (CTC) payments to the families of more than 60 million children.

- **Expanding the reach of the Emergency Capital Investment Program**

In December 2021, the Emergency Capital Investment Program (ECIP) announced \$8.7 billion in investments in Community Development Financial Institutions (CDFIs) and Minority Depository Institutions (MDIs) in order to increase lending to small and minority-owned businesses and low- and moderate-income consumers in underserved communities, including rural areas.

- **Providing a historic investment through the CDFI Rapid Response Program**

The CDFI Rapid Response Program provided \$1.25 billion to Community Development Financial Institutions (CDFIs) to help their communities respond to the economic hardships created by the COVID-19 pandemic –

Building on Treasury's progress

offering a historic investment in institutions that reach communities that have traditionally been underserved by the financial sector.

- **Increasing the investment in businesses owned by socially and economically disadvantaged individuals**

The State Small Business Credit Initiative (SSBCI), a \$10 billion program to enhance access to credit and other forms of investment for small businesses includes a \$2.5 billion allocation for supporting businesses owned by socially and economically disadvantaged individuals, including those in communities of color who have historically struggled to access the capital they need to support their businesses.

- **Increasing Tribal engagement**

Treasury has held numerous Tribal Consultations to ensure that relief funds reach Tribes quickly and that each Tribe has the flexibility to use relief funds to respond to the COVID-19 pandemic as an extension of respect for Tribal sovereignty. Across programs, Treasury engaged over 8,600 individuals in 65 hours of consultations, information sessions, and other meetings.

- **Elevating the role of community based financial institutions through the Freedman's Bank Forum**

Held in December 2021, Treasury's Freedman's Bank Forum was reestablished as an annual event to elevate and commemorate the role of community based financial institutions, showcase Treasury's progress on its commitment to racial equity, and invite dialogue on timely topics related to building wealth among communities of color.

- **Supporting women and minority-owned businesses and Minority Depository Institutions (MDIs)**

In Fiscal Year 2021, Treasury awarded \$738 million to minority-owned businesses (without regard to size), which is 8 percent of total contract dollars, substantially above the goal of 5 percent, and \$635 million to

Building on Treasury's progress

women-owned businesses (without regard to size), which is 7 percent of total contract dollars and substantially above benchmarks. Separately, Treasury also engaged a minority-owned financial institution as a designated financial agent and two MDIs as contractors to other financial agents.

- **Supporting women and minority-owned businesses**

In Fiscal Year 2021, Treasury awarded \$738 million to minority-owned businesses (without regard to size), which is 8 percent of total contract dollars, substantially above the goal of 5 percent, and \$635 million to women-owned businesses (without regard to size), which is 7 percent of total contract dollars and substantially above benchmarks.

- **Improving departmental strategic management processes**

Treasury has successfully incorporated equity discussions into the budget formulation cycle and into strategic quarterly organizational performance reviews. The Budget and Strategic Planning Offices will continue to assess these areas as part of the annual performance and budget cycle.