

## **Department of the Treasury Equity Action Plan**

### **(1) Executive summary**

#### **Overview of Agency Mission and Intersection with Equity**

The Department of the Treasury's mission is to maintain a strong economy and create economic and job opportunities by promoting the conditions that enable economic growth and stability at home and abroad, strengthen national security by combating threats and protecting the integrity of the financial system, and manage the U.S. Government's finances and resources effectively. The COVID-19 pandemic exposed and amplified long-standing disparities in health and economic outcomes, causing the pandemic to disproportionately affect people of color and members of underserved communities. As Treasury implements the American Rescue Plan (ARP), the Department is working to ensure the economic recovery includes those who have been historically underserved or experienced persistent poverty long before the pandemic. Treasury sees this equity assessment as an opportunity to identify and remove any barriers that would prevent any member of the American public from having equal access to Treasury's programs and services, the Nation's financial systems, or the Department's procurement and contracting opportunities.

#### **Summary of Action Plan**

The Department assembled an Equity Review Team in accordance with the White House requirements to provide input and support for the Treasury-wide equity assessment efforts. The Equity Review Team worked with the Internal Revenue Service (IRS), Office of Tax Policy (OTP), Bureau of the Fiscal Service (BFS) and Office of Recovery Programs (ORP) to develop ambitious, yet manageable, proposals for the equity review process. The following programs were selected by Treasury's Equity Review Team: Economic Impact Payments/Tax Policy (Tax Programs), Treasury Offset Program (TOP), and ARP Programs administered by Departmental Offices. Treasury also worked to identify actionable opportunities to (1) identify and remove any barriers that members of underserved communities may have to Treasury's contracting and procurement opportunities and (2) assess institutional resources available to Treasury's offices responsible for advancing civil rights.

The Deputy Secretary is leading the Department's equity assessment efforts as the Executive Sponsor and will receive recurring progress reports from the bureaus to ensure implementation of the Department's Equity Action Plan. Additionally, the Department's first Counselor for Racial Equity is coordinating Treasury's efforts to advance racial equity, which includes engaging with diverse communities throughout the country to identify and mitigate barriers to accessing benefits and opportunities with the Department. The Department understands that ensuring access to the benefits and opportunities of its policies and programs is not only crucial for advancing equity, but essential to carrying out Treasury's mission. Finally, Treasury's FY 2022-2026 Strategic Plan includes specific goals and objectives for advancing equity across mission areas and in Treasury's operations. By elevating equity in the Strategic Plan, Treasury is emphasizing the organizational importance of this work and holding itself accountable through

the regular accountability process, including quarterly and annual organizational performance review sessions.

## **(2) Summary of Early Accomplishments**

Advancing racial equity in Treasury's policies and programs is a priority for the Department, and the Secretary of the Treasury and Deputy Secretary have engaged civil rights leaders and organizations, racial equity experts, and leaders from State, Local, and Tribal governments to increase awareness of the programs established under the ARP and discuss Treasury's efforts to advance equity. Additionally, Treasury is undertaking research that scopes the magnitude of the racial wealth divide challenge and maps potential solutions to reduce and close disparities. This research will possibly inform a data-based goal that will allow Treasury to organize and benchmark its racial equity agenda. Other Treasury accomplishments include the following:

- **Appointment of Racial Equity Counselor:** In October of 2021, the Secretary appointed the Department's first-ever Counselor on Racial Equity. This Counselor will coordinate all offices and workstreams intended to advance equity and advise the Treasury Department on all racial equity policy issues and programs.
- **Disbursement of Economic Impact Payments/Child Tax Credits:** Since the passage of the ARP, the Department worked diligently to advance racial equity in underserved communities by distributing more than 171 million in economic impact payments (EIPs) totaling over \$400 billion to help Americans weather the financial hardship caused by the pandemic and advancing over \$93 billion in Child Tax Credit (CTC) payments to the families of more than 60 million children.
- **State and Local Fiscal Recovery Funds:** The [final rule](#) for the State and Local Fiscal Recovery Funds has strong equity provisions, including allowing broader funding uses specifically for individuals and communities that were disproportionately impacted by the public health and negative economic impacts of the pandemic and to address preexisting disparities that amplified the pandemic's impact on underserved communities. In addition, the program's reporting guidance [requires](#) the largest jurisdictions, which account for over three-quarters of the \$350 billion in funding, to report on how they plan to incorporate equity and community engagement in their spending plans. The Department also hosted a [webinar](#) for recipient governments focused on equity.
- **Emergency Capital Investment Program:** In December 2021, the Emergency Capital Investment Program (ECIP) [announced](#) \$8.7 billion in investments to [increase](#) lending to small and minority-owned businesses, and low- and moderate-income consumers in underserved communities, including rural areas.
- **CDFI Rapid Response Program:** The [CDFI Rapid Response Program](#) provided \$1.25 billion to Community Development Financial Institutions (CDFIs) to help their communities respond to the economic hardships created by the COVID-19 pandemic – offering a historic investment in institutions that reach communities that have traditionally been underserved by the financial sector.
- **State Small Business Credit Initiative:** The [State Small Business Credit Initiative \(SSBCI\)](#), a \$10 billion program to enhance access to credit and other forms of investment for small businesses includes a \$2.5 billion [allocation](#) for supporting businesses owned by socially and

economically disadvantaged individuals, including those in communities of color who have historically struggled to access the capital they need to support their businesses.

- **Emergency Housing Programs:** As of December 2021, the Emergency Rental Assistance, which serves households earning less than 80% of area median income, has made over 3.1 million payments to households at risk of eviction. The Homeowner Assistance Fund also has numerous provisions to ensure equitable distribution of funds to homeowners including that 60% of funds must assist homeowners with incomes below the area median income and that any remaining amounts must be prioritized to socially disadvantaged individuals.
- **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. Additionally, Treasury has conducted program-specific stakeholder engagement for Tribes. For the SSBCI program, Treasury held a Tribal Consultation and issued a Federal Register Request for Information for the public to comment on program design and implementation. Across programs, Treasury engaged over 8,600 individuals in 65 hours of consultations, information sessions, and other meetings.
- **Equity Incorporated in Departmental Strategic Management Processes, including budget formulation:** Treasury has successfully incorporated equity discussions into the budget formulation cycle and also 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.

### (3) Equity Action Plans

## AMERICAN RESCUE PLAN

### A. Barrier to Equitable Outcome(s)

The pandemic revealed the racial disparities that have persisted in this country for far too long. Black, Latino, and Native Americans were more likely to be infected, hospitalized, or die from COVID-19 than their white counterparts.<sup>1</sup> Communities of color were forced to bear a double burden in this pandemic: both more likely to work in essential, frontline roles with a higher risk of exposure<sup>2</sup> and more likely to lose those jobs as the pandemic caused the economy to contract.<sup>3</sup> And since long before most of us had ever heard the word “coronavirus,” a racial wealth gap persisted, making it harder for communities of color to weather economic downturns, from the pandemic to the financial crisis more than a decade ago. The median wealth of white households is 7.8 times more than that of Black households and 5.2 times more than that of Hispanic households,<sup>4</sup> while the rate of homeownership among white Americans is 1.7 times more than

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

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

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

<sup>4</sup> <https://www.federalreserve.gov/econres/notes/feds-notes/disparities-in-wealth-by-race-and-ethnicity-in-the-2019-survey-of-consumer-finances-accessible-20200928.htm#fig2>

the rate among Black Americans.<sup>5</sup> COVID-19 further exacerbated these existing disparities and demonstrated the urgent need for change.

These disparities and the harms that flow from them matter for all Americans. The exclusion of communities of color from the ladder of economic opportunity holds back economic growth for the entire country. Overall, according to a report from McKinsey and Company, not closing the racial wealth gap will cost the U.S. economy up to \$1.5 trillion by 2028, or 4 to 6 percent of the projected 2028 Gross Domestic Product (GDP).<sup>6</sup>

## **B. Action and Intended Impact on Barrier**

The Biden Administration has made promoting racial equity a top priority since Day 1, and nowhere is that clearer than in the ARP, a \$1.9 trillion package of which more than \$1 trillion is managed by the Treasury Department. The ARP represents an opportunity to advance equity through both immediate recovery efforts and lasting, generational investments in vulnerable communities across the country. Treasury commits to effectively implementing pandemic response programs to foster a strong, equitable, and sustainable economic recovery. By September 30, 2023, the Department of the Treasury will implement robust pandemic response programs and policies that encourage an equitable distribution of funds to reach underserved households or businesses and to build long-term economic resiliency.

## **C. Tracking Progress**

Treasury's 2022-2026 Strategic Plan will serve as the principal vehicle for identifying goals and tracking progress related to the equitable implementation of recovery programs, in addition to the ongoing programmatic data being publicly released by the Department. The first goal in Treasury's FY 2022-2026 Strategic Plan is to Promote Equitable Economic Growth and Recovery. This goal includes a specific objective to "Promote equitable financial recovery and growth through support and flow of capital to small businesses, households, and underserved communities." Treasury also has a Strategic Objective focused on promoting a stable and resilient housing market, which includes a strategy for supporting and implementing initiatives and policies that protect homeowners and renters, particularly historically underserved groups, from housing instability. Strategies to achieve these objectives include supporting Community Development Financial Institutions (CDFIs) and Minority Depository Institutions (MDIs) and enhancing the ability of households and state, local, territorial, and Tribal governments to respond to and recover from economic crisis through ARP and other programs.

In addition, Treasury has proposed an Agency Priority Goal (APG) for FYs 2022-2023 to highlight that equitable implementation of ARP programs is a top agency priority and a critical strategy for achieving two of Treasury's FY 2022-2026 Strategic Objectives. Through the APG action plan, due to OMB, Treasury will define concrete, data-driven measures and indicators to track progress and determine success over a two-year period.

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<sup>5</sup> <https://www.urban.org/urban-wire/breaking-down-black-white-homeownership-gap>

<sup>6</sup> <https://www.mckinsey.com/industries/public-and-social-sector/our-insights/the-economic-impact-of-closing-the-racial-wealth-gap>

## **D. Accountability**

As a Treasury APG, this action will be monitored through internal quarterly performance reviews and annual strategic reviews; high-level updates will be published quarterly on [www.performance.gov](http://www.performance.gov). These programs will also be identified as critical programs (under the Program Management Improvement Accountability Act, or PMIAA) in the Equitable Economic Growth portfolio, which will provide additional opportunities for Department-level visibility and support if a need for that is established during the quarterly and annual reviews.

## **TAX PROGRAMS**

### **A. Barriers to Equitable Outcome(s)**

The Treasury Office of Tax Policy (OTP), with assistance from the Internal Revenue Service Research, Applied Analytics and Statistics (RAAS) Division is developing a general methodology for analyzing the racial/ethnic equity of tax policy and tax administration questions, including ensuring the effectiveness/equity of various outreach activities by Treasury to underserved communities. An analysis of how the tax code affects different race and ethnic groups is central to understanding the consequences, both intended and unintended, of our tax laws. This improved understanding can be used to both shape tax policy design at the inception of legislative efforts and to better implement current laws. For example, if we find that certain tax credits are more accessible to some groups than others, we can use that information to better target taxpayer outreach. Or, if we find that some tax preference systematically disadvantages certain groups, that information can guide efforts at tax reform.

A detailed analysis of taxation equity requires reliable data on the race, ethnicity, gender, and other demographic characteristics of individual taxpayers. However, the IRS does not collect this information, and laws against disclosure prevent IRS from acquiring the information from other government agencies (i.e., Census Bureau). Recognizing these limitations, OTP is researching statistically valid alternatives for developing demographic data while respecting privacy concerns and civil rights. These include: 1) developing reliable methods to impute race and ethnicity for tax data, 2) partnering with other data producers to obtain data on race and ethnicity to validate the statistical imputations when legally feasible, and 3) when microdata cannot be obtained, partnering with other data producers to obtain tabulated data that include race and ethnicity for both analysis and to validate imputations.

### **B. Action and Intended Impact on Barrier**

*Developing a Sound Method to Impute Demographic Data.* OTP has made significant progress in developing statistically useful data for studying the impact of tax policies on race and ethnic groups using publicly available ZIP-Code level data. Accomplishments to date include:

- Developed an initial methodology for adding race/ethnicity to samples of tax returns using open-source imputation for race/ethnicity based on name and geography. Validated these imputations against publicly available voter registration data from North Carolina and used the results to further refine the methodology.

- Hosted several technical discussions of the methodology with colleagues, including those at Congressional Budget Office, Joint Committee on Taxation, and MITRE Corporation.
- Presented “Measuring Marriage Penalties and Bonuses by Race and Ethnicity: An Application of Race and Ethnicity reweighting to Tax Data,” at the National Tax Association’s 114th Annual Meeting in November 2021.<sup>7</sup>
- Began negotiations with the Social Security Administration (SSA) on accessing SSA’s microdata on race and ethnicity to further validate and refine the imputation methodology.

Next steps will focus on validating Treasury’s race and ethnicity imputations. Treasury is currently pursuing two related paths for validating and, as necessary, improving its imputations. First, it is working with Census Bureau to develop options that include having the Bureau compare Treasury statistical imputations to Census public-use and internal data. Second, it is exploring obtaining SSA race and ethnicity data to compare with the Treasury imputed demographic data. Once validated, this work will result in several research papers on the methodology and accuracy of the imputed demographic data.

*Using Demographic Data and EIP Outreach Activities to Understand Underserved Communities.* One focus of Treasury’s equity research is to examine the distribution of three separate refundable tax credits administered by the IRS intended to assist Americans in dealing with hardships created by the COVID-19 pandemic. The advanced payments of these credits, called Economic Impact Payments (EIPs), were initially provided automatically to those whose eligibility could be determined using tax return information and other administrative records.

Knowing underserved community residents can be difficult to reach, the IRS implemented processes and technology solutions to help these residents receive payments by using online tools, such as the “Non-Filers: Enter Payment Info Here” tool (Non-Filers tool) and the “Get My Payment” tool (GMP), both available in English and Spanish. The IRS also established a toll-free phone line to provide informational messaging about the EIPs and offered Over-the-Phone Interpreter services in more than 300 languages for limited English proficient (LEP) taxpayers.

Throughout the pandemic, the IRS worked with its Volunteer Income Tax Assistance/Tax Counseling for the Elderly (VITA/TCE) partners and volunteers to find innovative ways to assist underserved populations and other impacted individuals. The IRS created the EIP Initiative to nationally distribute communications to community stakeholders, contacting over 4,500 organizations that provided information to over 3 million individuals, including homeless shelters, Legal Aid offices, religious ministries, and numerous other community-based groups. Follow up engagements, such as a national symposium with over 100 partners attending, helped VITA/TCE partners promote awareness and to ensure partners had the necessary information to assist qualifying individuals filing for the EIPs. In May 2021, the IRS held a second national outreach event, strategically targeting organizations working with homeless communities. Approximately 7,300 organizations were contacted to provide information to more than 6.8 million individuals.

Due to the importance of the EIPs to the overall economic recovery effort and the Administration’s focus on addressing systematic equity concerns, OTP and RAAS, in

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<sup>7</sup> Authors include Emily Lin, Rachal Costello, Robin Fisher, and Ben Klemens, all of the Treasury Department.

collaboration with the Census Bureau and OMB’s Equity Data Working Group on Tax Data (EDWG1) will review the implementation of these programs. To date, the following has been accomplished:

- Presented preliminary analysis, “Using Information Returns to Conduct Direct Outreach to Non-Filers: A Case Study of the Cares Act Economic Impact Payments” at the National Tax Association’s 114<sup>th</sup> Annual Conference on Taxation.<sup>8</sup>
- Stood up a RAAS team that partners with the IRS Office of Equity, Diversity and Inclusion to coordinate interagency data exchanges and begin developing tools, best practices and training to identify and mitigate algorithmic and data bias.
- Successfully completed a Memorandum of Understanding between the IRS and Census Bureau to allow the exchange of the data needed for the Bureau to produce cross tabulations of EIP data by race and ethnicity categories.
- Designed a table shell and determined specific items of tax and Census data required to produce the table detailing EIPs by race and ethnicity.

Next steps will use the validated imputed race/ethnicity data, in combination with tax data to support a wide array of analyses, including review of the three EIP disbursement rounds (EIP-1, EIP-2, EIP-3) and the Advance Child Tax Credit (Adv CTC). The imputed data will also allow OTP to evaluate the equity implications of any tax policy proposal considered by the Administration. Other analyses will include assessments of statistical models used to identify potentially non-compliant tax returns for enforcement purposes to ensure the models are not subject to algorithmic bias.

### **C. Tracking Progress**

This analysis will extend over several years as data become available. For example, after Tax Year 2020 tax returns are filed with the IRS by October 2021, all Tax Year 2020 data for EIP-1 and EIP-2 should be available for statistical processing, the first step in the analysis. Likewise, by October 2022, all Tax Year 2021 data for EIP-3 and the Advance Child Tax Credit should be available for processing. Long-term, the analyses will examine how data limitations might have affected the equitable distribution of payments and if there were improvements that could have been introduced to reach more eligible recipients faster.

### **D. Accountability**

Efforts are being made to align this work with the FY 2022-2026 Treasury Strategic Plan, and Learning Agenda, which will require IRS and OTP to report on their progress in their quarterly and annual reviews.

## **TREASURY OFFSET PROGRAM**

### **A. Barrier to Equitable Outcome(s)**

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<sup>8</sup> Authors include Deena Ackerman, William C. Boning, Colin Campbell, David Chang, Adam J. Cole, Julie-Anne Cronin, Geoffrey Gee, Christopher Given, Suzanne Gleason, and Ben S. Meiselman, all of the U.S. Treasury Department.



As part of Executive Order 13985, the Treasury Equity Review Program Selection Team, consisting of senior leaders across Treasury Bureaus, selected the Treasury Offset Program (TOP) to be part of Treasury's equity assessment. TOP has far-reaching impact on the public and has not previously or recently undergone a comprehensive review of this nature. TOP, which is managed by the Bureau of the Fiscal Service (Fiscal Service), collects delinquent (past-due) debts that people owe to state and federal agencies, such as child support obligations.<sup>9</sup>

Pursuant to the Debt Collection Improvement Act of 1996 and other federal laws, federal agencies must transfer non-tax debts delinquent more than 120 days to TOP. Treasury is required to offset such debts referred to TOP unless otherwise directed by creditor agencies. TOP matches people and businesses who owe delinquent debts with money that federal agencies are paying (for example, a tax refund). To the extent allowed by law, when a match happens, TOP withholds (offsets) money to pay the delinquent debt.

While TOP collects federal tax debts, federal non-tax debts, child support debts, and other state debts, the focus of the TOP equity review is on the collection of federal non-tax and state debts through TOP. The TOP database contains close to 13 million federal non-tax and state debts referred for collection; of this amount, 6.7 million (53.6%) was referred by the Department of Education for delinquent student loan debt.<sup>10</sup>

## **B. Action and Intended Impact on Barrier**

Based on the initial assessment, staff has not identified significant equity barriers that TOP could address on its own. Staff reached this determination for a few reasons. First, TOP does not have discretion over whether to offset debts referred to TOP by creditor agencies. The creditor agencies maintain control on how debts are collected. Second, TOP lacks certain data that would be valuable in drawing conclusions with respect to equity barriers. TOP is only aware of referred delinquent debts and not the full debt portfolio of agencies, which include both current and delinquent debts. TOP also lacks direct demographic information about the debtors whose debts are referred to TOP. Ultimately, although TOP has some authority to exempt classes of payments at the request of payment agencies, TOP's ability to take action to ensure equity in its program is limited as agencies are solely responsible for determining whether a debt should or must be referred to TOP and whether and to what extent a debtor qualifies for relief from debt collection.

Although Fiscal Service's recent analysis did not identify significant equity issues that TOP could address on its own, staff will continue pursuing opportunities related to TOP that may have an impact on equity. Fiscal Service will continue to examine whether there are ways to improve communication with debtors once they are referred to TOP. By expanding language options, underserved communities with language barriers could potentially have a better understanding of how and why their debts were submitted to TOP and improved opportunities to resolve their debts with the creditor agencies in order to avoid further offsets. Fiscal Service will explore both

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<sup>9</sup> When TOP collects delinquent child support obligations, the offset payment is then sent to the state child support agency to pay custodial parents the past-due support they're owed or to states as reimbursement for support provided. In fiscal year 2021, TOP recovered more than \$2.7 billion in delinquent child support obligations.

<sup>10</sup> In December of 2021, the Department of Education announced an extension of the pause on student loan repayment, interest, and collections (including through TOP) through May 1, 2022.



the TOP Interactive Voice Response (IVR) system and TOP website to determine if additional language options to access information should be added. The IVR system is available to debtors who have questions about their debt. It currently only provides options for English, Spanish, and Telecommunications Devices for the Deaf line services. The TOP website provides the public with information including how TOP works, including information about TOP state programs, downloadable resources (i.e., TOP Fact Sheet, TOP Legal Authorities Quick Reference), and links to Fiscal Service and other government websites. The website is only available in English. Fiscal Service is determining if additional options are needed to expand the TOP IVR and TOP website.

Fiscal Service will also examine the Federal Claims Collection Standards, which are the governmentwide debt collection regulations promulgated jointly by Treasury and Justice, to determine if changes can be made within this regulation to produce more equitable outcomes. As part of customer outreach, Fiscal Service will engage with its creditor agency stakeholders to identify issues of equity for underserved communities within their debt portfolios. Fiscal Service will work with creditor agencies to address areas of concern to determine next steps, if any, that can be taken to aid those communities. These discussions may help inform Fiscal Service's review of the Federal Claims Collection Standards.

### **C. Tracking Progress**

Fiscal Service will take several steps to document the results of its continuing efforts. It will incorporate all system enhancements into the bureau's established roadmap process and prioritize and set the timeline for enhancements. Once established on the roadmap with project timelines, specific milestones will be included in performance plans to ensure full implementation of updates. If updates to regulations are necessary, Fiscal Service will follow established processes to request regulation changes.

### **D. Accountability**

Fiscal Service will bear the primary responsibility for carrying out management of these actions to align with the Department of Treasury's FY 2022-26 Strategic Plan. Fiscal Service executive management will receive scheduled updates and additional Treasury leadership will be updated on a periodic basis. Fiscal Service will also continue communication with creditor agencies through regularly scheduled engagement meetings and quarterly calls to maintain information sharing with our partners regarding equity discussions.

## **CONTRACTING AND PROCUREMENT**

### **A. Barrier to Equitable Outcome(s)**

Of the three potential barriers to procurement equity previously identified, this plan examines and describes mitigation strategies pertaining to category management (CM).<sup>11</sup> Category

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<sup>11</sup> In the 200-Day Progress Report, Treasury identified three areas to assess to increase opportunities for small businesses and underserved communities to have access to Treasury contracts: (1) whether the government-wide use of CM contracts impacts opportunities for members of underserved and disadvantaged businesses to compete for Treasury's contracts, especially in our Small Business Administration (SBA)-mandated goaling areas; (2) whether

management is a government-wide acquisition strategy employed to streamline and manage entire categories of spending across government as a single enterprise.

OMB Memorandum M-22-03 states, “Analysis of SUM credit since 2017 shows that socioeconomic small businesses<sup>12</sup> have received a proportionally lower share of spending under category management than other spending.” Government-wide common spend category trends from FY 2018 to FY 2021 show a precipitous decline each year in both the number of unique small business vendors and the number of distinct contracts. In FY 2018, the Government contracted with 81,600 unique small business vendors, and by FY 2021 this number was only 64,800 - a decline of over 20%. Similarly, the number of distinct contracts in FY 2018 was 253,800, but by FY 2021 the number had dropped to only 176,600 - a staggering 30% decline.

Data on procurement equity concerning small businesses, minority-owned businesses, and women-owned businesses do not show an overall decrease in achievement corresponding to Treasury’s implementation of category management. However, Treasury is analyzing potential correlation of category management implementation and a slight decrease in achievement in some socioeconomic categories, including prime contracting with new entrants and small disadvantaged businesses (SDB). Data show that new entrants are largely excluded from most solutions that are “spend under management” in the category management framework,<sup>13</sup> and the number of unique vendors decreased with implementation of category management. Treasury’s SDB spending is lower than the Government-wide average, which may be linked to Treasury’s mandatory sourcing policy. This policy enforced the regulatory preference for existing contracts, which limits the pool of open-market procurements that would be subject to the “rule of two,” leading to set-asides for small businesses.

## **B. Action and Intended Impact on Barrier**

Treasury has considered the Administration’s memorandum M-22-03 Advancing Equity in Federal Procurement and has adjusted this portion of the action plan accordingly. As stated in M-22-03, the actions identified in the memo will help increase spending to underserved communities and to broaden participation from within these communities.

Treasury worked in advance of release of M-22-03 to initiate the actions required in it and has made real progress on fostering an environment to advance equity in federal procurement. We updated our category management stewardship practices to boost contracting opportunities for socioeconomic small businesses, crafted SES commitments around procurement equity, and chartered a Treasury Procurement Equity Council to take further action to advance equity in Treasury procurement. Treasury will take the following additional actions to reduce the potential impact of category management on procurement equity:

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additional technical assistance and outreach is needed to advance equity in Treasury’s contracting and procurement efforts; and (3) whether there are missed opportunities in Treasury’s contracting to use small business set asides.

<sup>12</sup> In M-22-03, “socioeconomic small business” refers collectively to SDBs, WOSBs, SDVOSBs, and HUBZone small business contractors.

<sup>13</sup> OMB defines SUM as spend on contracts that meet defined criteria for management maturity and data-sharing.

- Communicate revised Treasury policy throughout Treasury bureaus and to the public to increase awareness of Treasury’s commitment to equity in procurement.
- Develop job aids and provide training to the acquisition workforce around prioritization of sources to advance procurement equity.
- Provide outreach and technical assistance to businesses and contracting officers to identify socioeconomic businesses that can fulfill agency needs.
- Emphasize proper forecasting and transparency in spend and operational plans to inform efforts to target opportunity for qualified businesses.
- Further advertise equity dashboards and automation of analyses to inform decisions.
- Create communication plan for senior leaders to emphasize equity efforts.
- Partner with supplier diversity organizations on efforts to increase equity.

These actions are prioritized using a logic model to drive outputs and outcomes that support the Administration’s goals around equity. These actions address people, processes, and systems for a holistic approach to advancing procurement equity. These actions will increase equity in procurement at Treasury by removing barriers to prioritizing socioeconomic businesses, increasing opportunity for these businesses to participate in Treasury procurement, and helping identify businesses to fill Treasury’s procurement requirements.

### **C. Tracking Progress**

Treasury will track near- to mid-term (2-4 years out) progress by monitoring small business achievement in all categories of contracting and subcontracting. Specifically, Treasury will track SDB achievement in FY22 to support the Government-wide goal of 11% in FY 2022 and 15% by FY 2025, and contracting with minority-owned, women-owned, and new entrant businesses against relevant benchmarks. Finally, the Procurement Equity Council will review and update progress by tracking outputs and outcomes that support equity goals.

### **D. Accountability**

Accountability mechanisms will be in place at the staff level, organizational level, agency level, and publicly. Equity goals will be included in Senior Executive Service performance plans across the Department. Equity achievement will be included in organizational quarterly performance reviews at the bureau level and aligned within the FY 2022-2026 Treasury Strategic Plan. Transparency on equity goals (procurement and non-procurement) will have increased visibility through dashboards and reporting, and the Procurement Equity Council will adjust implementation plans according to metrics collected through these mechanisms.

## **RESOURCES AVAILABLE TO OFFICES WHO ADVANCE CIVIL RIGHTS**

*Note: An action plan was not established as a separate action item for this assessment area but will be considered under other summaries of reviews focusing on specific areas of Treasury’s program delivery, such as Tax Program, TOP, Procurement and Contracting, and the ARP programs established by recent enacted laws. Action plans for these assessments will address resource needs identified, if applicable.*

As a result of the initial assessment of budgetary resources available for Treasury component civil rights functions, it became clear that assessing the risk of inadequate resources just based on budget alone would not be sufficient. Some offices may appear to have sufficient resources, while other offices appear to have low budgets. However, this review needs to be in the context of the mission, workforce, size, and function of the bureaus and offices served by these civil rights offices. It became apparent that Treasury needed additional robust discussions integrated into the budget formulation process. Treasury has a standard budget formulation process that includes senior-level engagement to surface discussion on mission-achievement and Bureau performance. This process is designed so that Treasury senior leadership 1) understands components' baseline resource needs, 2) identifies where savings may be achieved, and 3) identifies where additional resources are needed for urgent needs, proposed new programs and projects, or for items of priority to the Secretary and the Administration.

The timing of this equity assessment meant that Treasury added "equity" to the agenda in the 2023 budget formulation process. This has started ongoing discussions between Treasury leadership and the components about the resources currently allocated -- and needed in the future -- for offices responsible for civil rights functions and for programs with mandates that specifically include serving underrepresented or disadvantaged communities. This equity discussion is designed to be included for budget formulation cycles going forward. With the completion of the strategic plan in early calendar year 2022, future budget cycles will also account for the status of progress towards Treasury's goals and objectives and potentially address funding gaps where needed.

Treasury leadership has long recognized the tie between strategic planning and budgeting. The Treasury-wide budget office is also partnering with the Treasury Office of Strategic Planning and Performance Improvement to incorporate equity into Treasury's quarterly performance review (QPR) process, beginning in November 2021. Treasury QPRs are a forum for Treasury leadership to regularly review status and achievement of Treasury's strategic objectives and strategic priorities, and the resources allocated to achieving Treasury's mission and priorities. The addition of equity into QPRs means ongoing management discussion and analysis of the performance of diversity, equity, inclusion, and accessibility related initiatives, and assessment of Treasury's equity posture within our strategic objectives.