NEW MARKETS TAX CREDIT

Minority Entities Are Less Successful in Obtaining Awards Than Non-Minority Entities

What GAO Found

From 2005 through 2008, minority-owned CDEs were successful with about 9 percent of the NMTC applications that they submitted to the CDFI Fund and received about $354 million of the $8.7 billion for which they applied, or about 4 percent. By comparison, non-minority CDEs were successful with about 27 percent of their applications and received $13.2 billion of the $89.7 billion for which they applied, or about 15 percent.

The CDFI Fund relies primarily on application scores to determine which CDEs receive awards. As the figure shows, minority CDEs received lower scores than non-minority CDEs in each of the four application sections.

Although a CDE’s resources and experience in applying are important factors in a CDE’s success rate with the NMTC program, when controlling for factors that GAO could measure, minority status is associated with a lower probability of receiving an allocation. It is not clear from our analysis why this relationship exists or whether any actions taken or not taken by the Department of the Treasury contributed to minority CDEs’ lower probability of success. Characteristics associated with minority status of some CDEs for which data are unavailable may affect this relationship. If Congress views increased participation by minority CDEs as a goal for the NMTC program, policy options, such as providing certain preferences in the application process that may benefit minority CDEs, could be considered.

The CDFI Fund provides assistance that is available to all CDEs applying for awards, including a written debriefing to CDEs that do not receive awards detailing some of the weaknesses in the applications. Other stakeholders, including industry associations and consultants, hold conferences and offer services to help CDEs submit competitive applications. Should Congress view additional assistance to minority CDEs as important to increasing minority CDEs’ participation in the NMTC program, it could consider requiring the CDFI Fund to provide targeted assistance to minority CDEs.