

## Improving the government payment experience

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Each year, government agencies in the United States successfully deliver trillions of dollars to individuals, families, businesses, and other agencies.<sup>1</sup> The speed at which government entities deliver these funds to constituents is critically important, especially during a crisis. During the COVID-19 pandemic for example, payments for unemployment, stimulus, rent, business relief funds, and more needed to be fast, secure, and accurate to help ensure people could put food on the table, remain in their homes, and keep their businesses open during an uncertain time.

Collaboration among government and non-government entities helps promote execution of systems and processes during each step of the payment lifecycle. With the advent of the Automated Clearing House (ACH) network in the 1970s, followed by widespread adoption of prepaid card programs, federal and state governments have embraced the partnerships and technologies necessary to deliver payments digitally. By doing so, governments have improved the recipient experience while saving taxpayer costs and increasing public service.

Government officials recognize that they can't always go it alone and look to trustworthy partners who can help their organizations with payment operations, particularly in times of crises. Experts from the payment industry and nonprofits can guide agency programs to expand payment options to meet the unique needs of their constituents. A wide range of perspectives is key to designing and implementing effective and financially inclusive digital payment programs that best support government payment recipients.

Financial services providers, in partnership with nonprofit organizations, can support governments in multiple ways:

1. **Payment operations.** Financial services providers can supplement a government agency's in-house payment operations. When an agency uses existing commercial payment rails, such as ACH, prepaid card and other digital payment networks, governments and their constituents benefit from economies of scale, ubiquity of service, rapid implementation of technology improvements, and regulatory schemes that protect consumers. It is critical for the private sector to identify ways to adapt their best practices within the government payments ecosystem.

### Keys to success:

- Simplify how government entities can integrate new technologies with legacy systems and processes to ensure payment integrity and accountability.
- Understand how government payment laws may differ from those applicable to commercial payments, which could impact how operations are managed.

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<sup>1</sup> Government Spending Open Data | USAspending

- Identify challenges that need to be solved to convert paper check recipients to more beneficial payment methods where technology and digital financial services infrastructures are not readily available.

2. **Innovation based on human-centered and financially inclusive design.** Partnerships with commercial and nonprofit organizations can help governments more successfully design and test innovative ways to address gaps in the government payments ecosystem that currently add administrative burdens to both the government and recipients.<sup>2</sup> Research-based program design, rapidly followed by short-term pilots and program implementation, can accelerate government's exploration of new ways to deliver digital payments to those historically excluded from the financial mainstream.<sup>3</sup> As consumer sentiment continues to change to recognize the value of faster digital payments, government organizations will need to be ready to deliver on that demand.

**Keys to success:**

- Understand the benefits and challenges with current processes from the perspectives of the government, payment recipients, and other participants in the government payments lifecycle.
- Consider various perspectives when designing pilots to test concepts.
- Identify key metrics and measures that will assess performance success and the feasibility of scaling to meet the needs of more constituents.

3. **Outreach and education.** By regularly collaborating with financial service providers, government agencies can create outreach campaigns encouraging eligible beneficiaries to sign up for benefits and digital payment methods. Expanded outreach can accelerate delivery of funds to those in need and is especially critical when a recipient must proactively act, rather than receiving their funds automatically. Financial inclusion programs provide information about how to access funds quickly and safely without paying fees, find real-time balance and deposit information, prevent and remediate loss of funds due to fraud, and effectively interact with online and live customer service

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<sup>2</sup> It is estimated that the first wave of federal Economic Impact Payments (EIPs) resulted in a staggering \$66 million in fees for those paper check recipients who paid to cash their checks (Brookings/Financial Health Network. Economic Impact Payments: Uses, Payment Methods, and Costs to Recipients, February 17, 2021; Economic Impact Payments: Uses, payment methods, and costs to recipients (brookings.edu)). A similar study about the Advance Child Tax Credit estimated that about 750,000 households might have collectively paid over \$16 million in check cashing fees to access their funds (Financial Health Network, 2021 Advance Child Tax Credit—Reach, Payment Methods, Costs to Recipients, and Uses, June 28, 2022, 2021 Advance Child Tax Credit – Financial Health Network (finhealthnetwork.org)).

<sup>3</sup> Of the participants in a Visa government payments study who received a paper check from the government, 75% were unbanked or underbanked (Visa research study; data collected December 2020 to January 2021; nationally representative of the U.S. population based on age, gender, income, ethnicity, and region).

representatives. Successful programs can improve the receivers' satisfaction with their payment method.<sup>4</sup>

**Keys to success:**

- Understand how constituents learn about their eligibility for government benefits.
- Adapt messaging for trusted sources who can best deliver information in ways that meet their constituents' needs.
- Regularly measure the success of messaging campaigns.

Properly designed digital payment options can provide greater transparency and security, better access to support, more convenience, and faster payments. Fortunately for government leaders and their constituents, the modern payments ecosystem provides more ways to improve in all these areas, while lowering costs for taxpayers and recipients and improving the security and accuracy of each payment.

Making a payment to a constituent is one of the most visible and critical services that a government provides. Government leaders and their partners, both in the private and nonprofit sectors, can do more to improve the experience to help ensure that everyone receives their payments quickly, securely, and cost-effectively, especially in times of need.

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<sup>4</sup> While most recipients of government payments (83%) are satisfied with their payment method, 41% cite challenges including the need for faster payments, more transparency about when their payment will arrive, and easier access to assistance when something goes wrong. Check recipients report the lowest satisfaction rate of 65%, compared to those who receive their government funds by direct deposit and prepaid card (Visa research study, see fn 3, above).