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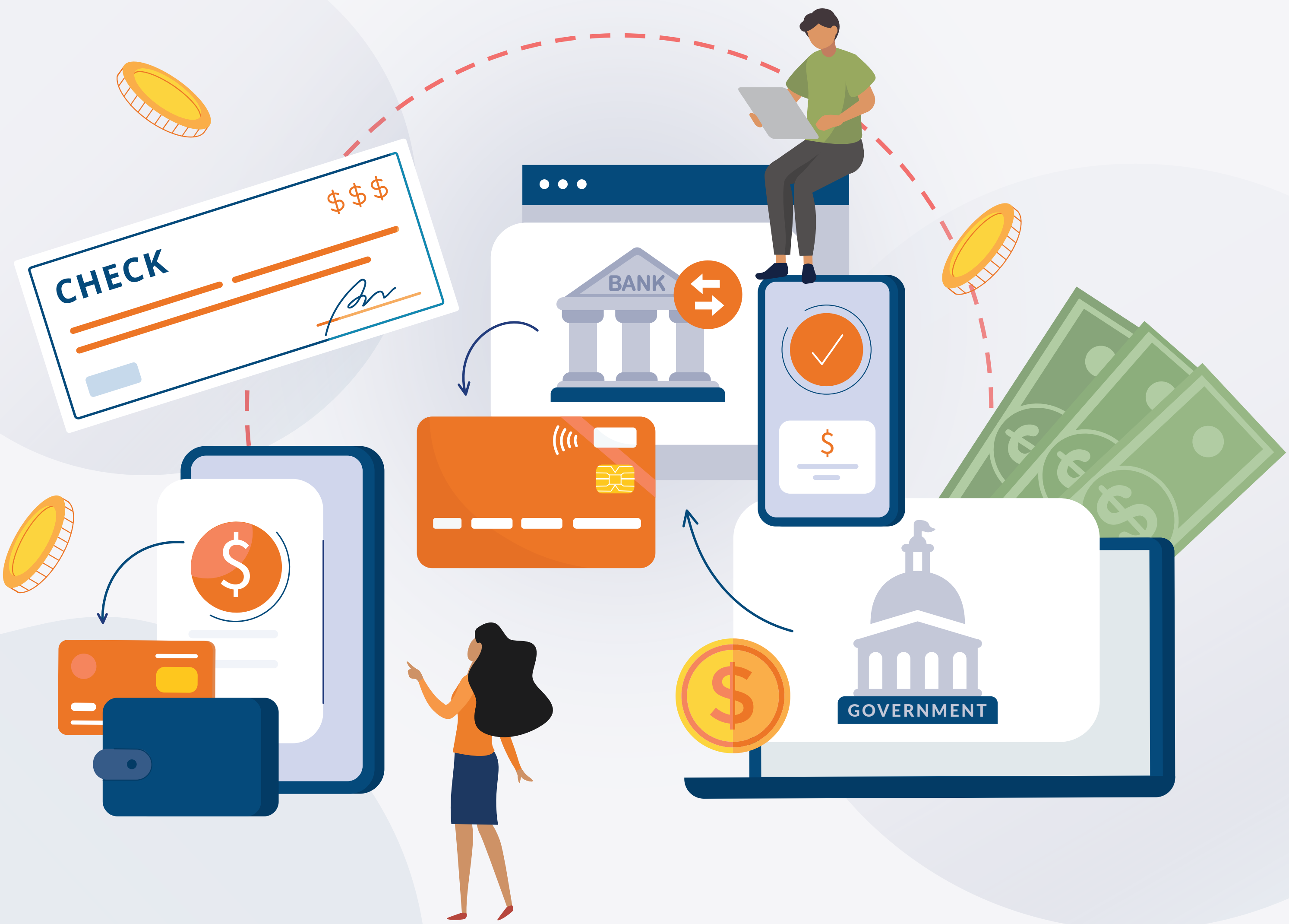
# GOVERNMENT-TO-PERSON PAYMENT SYSTEMS: A PRIMER

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## ABOUT THE ASPEN INSTITUTE FINANCIAL SECURITY PROGRAM

The Aspen Institute Financial Security Program's (FSP) mission is to illuminate and solve the most critical financial challenges facing American households and to make financial security for all a top national priority. We aim for nothing less than a more inclusive economy with reduced wealth inequality and shared prosperity. We believe that transformational change requires innovation, trust, leadership, and entrepreneurial thinking. FSP galvanizes a diverse set of leaders across the public, private, and nonprofit sectors to solve the most critical financial challenges. We do this through deep, deliberate private and public dialogues and by elevating evidence-based research and solutions that will strengthen the financial health and security of financially vulnerable Americans. To learn more, visit **AspenFSP.org**, join our mailing list at **http://bit.ly/fspnewsletter**, and follow **@AspenFSP** on X and on LinkedIn as **The Aspen Institute Financial Security Program**.

# Executive Summary

## Government-to-Person Payments Infrastructure is Essential to Financial Security

Direct cash payments to households are used as a versatile policy tool that the federal government deploys for purposes ranging from income security for retirees or workers unable to work due to a disability to financial relief during natural disasters. They are also a time-tested countercyclical measure for economic stabilization, featured most recently as part of the U.S. response to the COVID-19 pandemic—when the federal government distributed more than 476 million payments, for a total of $814 billion, in financial relief to households.[1]

For each of these critical functions, the infrastructure involved—Government-to-Person (G2P) payment systems—are vital in facilitating the access, delivery, and use of these payments. Unfortunately, evidence from across programs in government demonstrates that different payment delivery systems in the U.S. perform unevenly, at best, at these tasks. Considering the scale of the programs involved and the deficiencies we find in the current systems, improving G2P payment systems' performance could result in considerable gains for households, particularly those most in need—and for the government and non-government actors administrating these programs as well.

The aim of this primer is to provide leaders—especially federal policymakers and program administrators—broadly applicable, actionable insights for improving performance across G2P payment systems.

### WHAT'S IN THIS PAPER

## A Framework for Understanding How G2P Systems Work Today

Through our literature review and expert interviews with leaders across the G2P ecosystem, we have developed the following framework organizing how current government-to-person payment systems are structured, which actors are involved, and how we can understand success—both the indicators we should be striving toward as well as the factors that drive their performance.[2]

| KEY SYSTEMS AND PROGRAMS | | | | | |
|---|---|---|---|---|---|
| *Electronic Benefits Transfer* | | *Tax* | | *Social Security Administration* | |
| SNAP | TANF | EITC/CTC | EIPs | SSR | SSI/SSDI |

| PERFORMANCE INDICATORS | | |
|---|---|---|
| *Reach* | *Ease* | *Usefulness* |

| STEPS AND DIMENSIONS | | | | | |
|---|---|---|---|---|---|
| *Access* | | | *Receipt* | | |
| Eligibility Identification | Eligibility Determination | Eligibility Maintenance | Available Payment Methods | Functionality | Consumer Protections |

| ACTORS | | |
|---|---|---|
| *Governmental* | *Formal, Non-governmental* | *Informal, Non-governmental* |

| PERFORMANCE FACTORS | | |
|---|---|---|
| *Policy and Product Differentiation* | *Degree of Diffusion* | *Extent of Cost Externalization* |

## Key Findings: Three Factors Drive System Performance

According to our analysis, the primary mechanisms for either enhancing or undermining G2P system performance are:

1. **Policy and Product Differentiation:** The statutory and regulatory rules that shape how participants access programs and receive payments, and the ways in which those payments can be used and degree to which they are protected from risks such as loss or theft.
2. **Degree of Diffusion in Decision Making and Implementation**: The levels of government and number of actors involved in deciding how programs should be carried out, as well as in executing those decisions.
3. **Extent of Cost Externalization**: The costs of administering G2P functions that are passed on to the participant either in terms of direct expenditures; loss of payment value due to inferior consumer protections or utilization fees; or delays, interruption, or loss of benefits.

## Actors Across the G2P Supply Chain are Demonstrating Strategies for Increasing Systems' Performance

G2P actors, both governmental and non-governmental, are exercising the levers available to them to improve performance across three key Performance Indicators that provide insight for actions transferable across systems.

1. **Reach: The ability of participants to access and receive benefits.** Strategies for reaching all members of an eligible population *reduce* the access steps of *Eligibility Identification, Eligibility Determination,* and *Eligibility Maintenance* or *perform them automatically* without requiring participant action.
2. **Ease: The level of friction involved in accessing and receiving benefits.** These strategies take many forms, such as customizing enrollment interfaces that support broad technological and language uses, or leveraging existing data linkages between systems to passively identify or verify the eligibility of participants.
3. **Usefulness: The level of consumer protections and functionality payment products provide.** Strategies providing participants with multiple options for accessing accounts and payments, allowing them to store or transact those payments securely, and enabling payments to be seamlessly integrated into a participant's financial management practices are necessary to modernizing G2P systems to perform on par with other financial products and services.

Aspen FSP is committed to working with leaders across the G2P ecosystem to identify ways to unlock the potential of these critical forms of public financial infrastructure to more fully support the financial security of all U.S. households.

> **The aim of this primer is to provide leaders—especially federal policymakers and program administrators—broadly applicable, actionable insights for improving performance across G2P payment systems.**

# Introduction: G2P Systems are Critical Policy and Financial Infrastructure

## Government-to-Person Payments Infrastructure is Essential to Financial Security, but Gaps Leave Households Behind

Government-to-person (G2P) payments are a foundational piece of financial infrastructure supporting household financial security and national economic resilience. Direct cash payments impact millions of U.S. households, playing a routine role combating food insecurity and providing income support to retirees or workers unable to work due to a disability. They are also a time-tested strategy for macroeconomic stabilization during downturns. During the Covid-19 pandemic, for example, the federal government distributed more than 476 million payments, for a total of $814 billion, in financial relief to households through Economic Impact Payments (EIPs) and the expanded Child Tax Credit (CTC).[3] These critical functions underscore the stakes of G2P systems effectively being able to facilitate the access, delivery, and use of these payments.

Unfortunately, evidence from across programs in government demonstrates that the different payment delivery systems in the U.S., while essentially performing the same task, perform unevenly at best. For example, more than 3.7 million families eligible for Temporary Assistance for Needy Families (TANF) cash-assistance do not receive it, 5 million households leave $7 billion in Earned-Income Tax Credit (EITC) funds unclaimed annually, and 18 percent of people eligible for Supplemental Nutrition Assistance Program (SNAP) benefits do not participate.[4]

Pandemic relief amplified the cracks in these systems. Non-filers (i.e., people who are not required to file tax returns due to their low incomes), first-time tax filers, mixed immigrant status families, people without access to bank accounts, individuals with limited internet access, and people experiencing homelessness were among those whose EIP and CTC payments—to which they were entitled—were most likely to come with delays or costs, if they came at all.[5] Additionally, it is estimated that EIP recipients without access to a free option to deposit checks paid $66 million in check cashing fees in order to access the funds intended for them.[6] Considering the scale and reach of these payments, improving G2P payment systems' performance could result in considerable gains for households, particularly those most in need—and for the government and non-government actors administrating these programs as well.

For our nation's G2P payment systems to achieve their potential—as infrastructure for effectively supporting both economic and household stability and resilience and creating on-ramps to financial inclusion more broadly—the factors undermining the performance of these systems must be understood and addressed by the leaders best positioned to improve them.

This report provides a primer on national G2P systems. Here we define the features of these systems, account for the actors within them, examine the factors shaping the performance of these systems, and identify the implications of these findings for the government, nonprofit, and private sector.

## Actionable, Systemwide Insights are Needed to Reform G2P Infrastructure

Existing research on G2P systems typically focuses on programs individually or on the design and performance of systems only at the front-end (access) or back-end (receipt). In reality, the delivery of cash payments is more complex, at times involving multiple programs, governmental levels, and commercial and nonprofit actors—each with differing objectives. So, to improve how these systems perform at the household level, we must take a more holistic approach to see where to improve interaction with participants and remove the silos that inhibit cooperation. The aim of this primer is to provide leaders—especially federal policymakers and program administrators—broadly applicable, actionable insights for improving performance across G2P payment systems. To do so, we:

- Provide a framework for understanding the design, implementation, performance and functional actors within national government-to-person payment systems;

- Identify levers available to actors across the G2P supply chain for shaping system performance;
- Diagnose pain points experienced by participants and administrators of these systems; and,
- Highlight strategies for improving system performance using these levers.

We intend for this report to equip leaders in the G2P system with a framework they can use to design solutions to ease the pain points felt by recipients of G2P systems—especially as they relate to the access to, receipt, and use of G2P payments.

## G2P Systems are Platforms for Effective Benefits Delivery, Essential Financial Infrastructure, and Tools for Building Savings and Wealth

Prior work by the Aspen Institute Financial Security Program (Aspen FSP) illuminates the key roles that G2P systems play in many aspects of household financial stability, financial inclusion, and wealth building.

### *Platforms for Effective Benefits Delivery*

G2P systems are essential for the effective delivery of cash-based benefits that provide ongoing, or regular income protection and support income sufficiency.

**FACT:** Wage income alone is insufficient for most people living in the United States. In 2019, 44 percent of all U.S. workers were considered "low-wage," with median hourly wages of $10.22 and median annual earnings of $17,950.[7] Programs like the Supplemental Nutrition Assistance Program (SNAP), the Earned Income Tax Credit (EITC), and the Child Tax Credit (CTC) play a critical role supporting the financial security of workers for whom earnings from labor income are too low to meet core expenses. Programs like the Supplemental Security Income program (SSI) and the Social Security Disability Insurance program (SSDI) provide assistance to workers whose ability to earn labor income is limited due to disability.

### *Essential Financial Infrastructure*

G2P systems deliver billions of dollars to millions of households every year and these systems frequently rely on individual recipients to own a bank account for their successful delivery. As such, both the design and delivery of these government payment systems and their interaction with traditional banking systems have the potential to either advance or hinder inclusive financial systems.[8]

**FACT:** Barriers to access bank accounts and fines and fees can erode the value of public benefits. According to the Federal Reserve Bank of St. Louis, people who do not have bank accounts—and, consequently pay higher costs to interact with the financial system—spend between 2.5 percent and 3 percent of a government benefits check to cash them.[9] In contrast, government programs can be designed to promote inclusion, such as by making delivery easy and seamless for the recipient through the use of direct deposit and by creating on-ramps for people to connect to affordable financial products and the broader financial system. New data from the FDIC show that about 1 in 3 households that recently opened a bank account said that receiving a government benefit payment—such as unemployment insurance or EIPs—contributed to their decision to open an account.[10]

### *Tools for Building Savings and Wealth*

G2P systems distribute significant resources that enable households to save, finance asset purchases and investments, and pay down debt.

**FACT:** While households reported spending much of their stimulus on necessities like food and rent, they also saved nearly 30 percent of these resources.[11] These experiences join substantial evidence showing cash's flexibility to support both immediate needs as well as longer-term savings and investments that increase financial security over time.[12]

# A Framework for Understanding How G2P Systems Work Today

Through our literature review and expert interviews, Aspen FSP developed the following framework organizing how current government-to-person payment systems are structured, which actors are involved, and how we can understand success—both the indicators we should be striving toward as well as the factors that drive their performance.[13] This section introduces this framework and then provides a guide to understanding its core elements. This framework serves as the foundation for the analysis to follow, which identifies pain points for both participants and supply-side actors within these systems, as well as strategies leaders within these systems can use to improve their performance.

**Table 1. G2P Systems Framework**

| KEY SYSTEMS AND PROGRAMS | | | | | |
|---|---|---|---|---|---|
| *Electronic Benefits Transfer* | | *Tax* | | *Social Security Administration* | |
| SNAP | TANF | EITC/CTC | EIPs | SSR | SSI/SSDI |

| PERFORMANCE INDICATORS | | |
|---|---|---|
| *Reach* | *Ease* | *Usefulness* |

| STEPS AND DIMENSIONS | | | | | |
|---|---|---|---|---|---|
| *Access* | | | *Receipt* | | |
| Eligibility Identification | Eligibility Determination | Eligibility Maintenance | Available Payment Methods | Functionality | Consumer Protections |

| ACTORS | | |
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| *Governmental* | *Formal, Non-governmental* | *Informal, Non-governmental* |

| PERFORMANCE FACTORS | | |
|---|---|---|
| *Policy and Product Differentiation* | *Degree of Diffusion* | *Extent of Cost Externalization* |

## User Guide for Key Terms and Concepts Defining the G2P Framework

This section defines and describes the core elements of the Government-to-Person payment systems that are used throughout the analysis of the report.

### Which G2P systems are included in this analysis?

This report focuses on a subset of G2P systems administering payments from key federally funded programs that represent some essential programs that support financial security in households. These programs were also chosen to represent a diverse set of administering agencies and G2P system types to allow our findings to be as broadly applicable to other G2P systems as possible. This includes:

1. The **Electronic Benefits Transfer system** that administers the Supplemental Nutrition Assistance Program (SNAP) and Temporary Assistance for Needy Families (TANF) in most states;
2. The **Federal income tax system** that is the vehicle for administering tax benefits such as the Earned Income Tax Credit (EITC), Child Tax Credit (CTC), and recently Economic Impact Payments (EIPs); and
3. The **Social Security Administration (SSA)** that administers Social Security Retirement (SSR), Social Security Disability Insurance (SSDI), and Supplemental Security Income (SSI).

### What are the key performance indicators for G2P payment systems?

The three indicators we use to define successful performance of G2P payment systems were derived through Aspen FSP's person-centered policy framework, using the lived experience and expertise of the people these policies are intended to serve as the north star for G2P payments system design.[14]

1. **Reach**: The maximal take-up of payments among eligible participants, measured most directly by participation rate.
2. **Ease**: The level of friction involved in accessing and receiving benefits, comprising metrics such as the amount of time from application to receipt of payment and any financial fees or costs incurred by participants necessary to access programs or utilize payments.
3. **Usefulness**: The level of consumer protections and functionality payment products provide, comprising metrics such as the number of participants receiving payments through mainstream banking products and the number of retailers or merchants that accept the payment method.

### What are the steps that structure a participant's experience of G2P payment systems?

We break down participants' engagement with G2P systems into two steps, *access* and *receipt*.

1. **Access:** G2P infrastructure links people to the government programs they are eligible for. Three factors affect people's ability to access these systems:
   a. ***Eligibility Identification:*** Methods by which potentially eligible participants become aware of programs and opt to pursue them;
   b. ***Eligibility Determination:*** Documentation and procedural requirements necessary to verify eligibility criteria have been satisfied;[15] and
   c. ***Eligibility Maintenance:*** Requirements for continued program participation, including necessary documentation and recertification periods.

2. **Receipt:** Once an individual is connected to the G2P infrastructure, their experience in receiving payments is shaped by three factors:
   a. ***Available Payment Methods:*** Financial product(s) through which a participant receives payments—including direct deposit to a bank or prepaid account, issued prepaid cards, or checks (for a more detailed description of these methods, see Table 6: Methods of Receiving Payments Vary in Functionality and Consumer Protections);
   b. ***Consumer Protections:*** Measures in place that secure the value of the payment from risks—such as payment card loss, theft, fees, or garnishment—and protect the identity and privacy of the recipient; and
   c. ***Functionality:*** Stipulations around where and how payments can be accessed and spent.

## Who are the supply-side actors that are involved with the design and implementation of G2P payment systems?

While the functional actors within the G2P system vary depending on program, we broadly organize these actors into the following categories:

1. **Governmental Actors:** Federal, state, or local government and agencies.[16] These actors can serve as regulators and policy makers, direct service providers, outreach partners, and procurers;
2. **Formal, non-Governmental:** Entities that contract with governmental actors to provide products and services, such as vendors for payment cards and cardholder customer service support; and
3. **Informal, non-Governmental:** Community organizations, civic tech organizations, for-profit businesses, and other organizations with no contractual relationship with government and whose core objective is to connect people with our G2P system. These actors play several roles in the G2P system, including community engagement and outreach, enrollment facilitator, and payment facilitator.

## What are the factors that shape how successfully G2P payment systems perform?

According to our analysis, the primary mechanisms for either enhancing or undermining G2P system performance are:

1. **Policy and Product Differentiation**: The statutory and regulatory rules that shape how participants access programs and receive payments, how those payments can be used, and the degree to which participants are protected from risks such as loss or theft;
2. **Degree of Diffusion in Decision Making and Implementation**: The levels of government and number of actors involved in deciding how programs should be carried out, and in executing those decisions; and
3. **Extent of Cost Externalization**: The costs of administering G2P functions that are passed on to the participant. This can occur via direct expenditures, through loss of payment value due to inferior consumer protections or utilization fees, or due to delays, interruption, or loss of benefits.

## Putting it All Together

The supply chain map below displays G2P actors according to their role in affecting how successfully participants can *access* and *receive* payments delivered through G2P systems. This supply chain analysis aims to demonstrate (1) the number and types of actors involved in the Electronic Benefit Transfer (EBT) system, the federal income tax system, and the Social Security Administration; (2) the differing number and variety of roles across systems; and (3) who makes what decisions and at what step.

**Table 2. G2P Supply Chain Map**

| | PROGRAM | ACCESS | RECEIPT |
|---|---|---|---|
| EBT | TANF<br>SNAP | **Governmental Actors:** Administration for Children and Families at HHS, Food and Nutrition Service at USDA, state and county agencies<br>**Formal, Non-Governmental Actors:** Identity verification vendors (commercial credit agencies, ID.me, etc.), login.gov, and income verification vendors | **Governmental Actors:** US Department of the Treasury, State agencies<br>**Formal, Non-Governmental Actors:** Issuing banks, program managers/payment delivery vendors – Conduit, FIS, Solutran (Montana), Inmar (Louisiana), and grocery retailers<br>**Informal, Non-Governental Actors:** Banks, check cashers, and other financial service providers |
| TAX | EIPs<br>CTC<br>EITC | **Governmental Actors:** Internal Revenue Service (IRS)<br>**(Semi) Formal, Non-Governmental Actors:** Volunteer Income Tax Assistance (VITA) program, community-based organizations, income and identity verification vendors<br>**Informal, Non-Governmental Actors:** Paid tax preparers and community based organizations | **Governmental Actors:** US Department of the Treasury<br>**Informal, Non-Governental Actors:** Banks, check cashers, and other financial service providers |
| SOCIAL SECURITY | SSR<br>SSDI<br>SSI | **Governmental Actors:** Social Security Administration (SSA)<br>**Formal, Non-Governmental Actors:** Income and identity verification vendors<br>**Informal, Non-Governmental Actors:** Employers, medical institutions, legal professionals, and community based organizations | **Governmental Actors:** US Department of the Treasury<br>**Formal, Non-Governmental Actors:** Comerica Bank (Issuing bank) and Mastercard (Payment processor)<br>**Informal, Non-Governental Actors:** Banks and other financial service providers |

# Levers Within G2P Systems Create Pain Points for Administrators and Participants

According to our analysis, three performance factors, (*1) Policy and Product Differentiation; (2) Degree of Diffusion in Decision Making and Implementation; and (3) Extent of Cost Externalization,* are the primary mechanisms for either enhancing or undermining G2P system performance. This section builds on the G2P framework by identifying specific levers available to actors throughout the G2P supply chain for impact across these performance factors (provided in the table below), and then provides a deep-dive analysis of the current use of those levers and ways that they are creating pain points for the administrators and participants of these systems. The next section provides an analysis of alternative uses of these levers that increase system performance.

**Table 3. Actors within G2P Systems Have Levers for Impact Across Performance Factors**

| | Policy and Product Differentiation | Degree of Diffusion in Decision Making and Implementation | Extent of Cost Externalization |
|---|---|---|---|
| **Federal Legislators** | • **Create rules** governing documentation or procedural requirements, define programmatic goals and corresponding performance metrics.<br>• Create the legal authorities governing **data sharing and cross-enrollment capabilities**. | • **Define administrative structure**, including the degree to which a program is administered at multiple levels of government, requirements of that administration and accountability for benefit delivery, and funding available to support it. | • **Determine whether a program receives federal funding** for program administration, how much, under what conditions, and how often. |
| **Federal Regulatory Agencies** | • **Interpret rules** guiding program implementation. | • **Issue guidance** to states clarifying allowable legal flexibilities around issues such as documentation and procedural requirements. | • Set terms with vendors.<br>• Determine applicability of rules governing payment products. |
| **State Level Governmental Actors**[17] | • **Implement administrative authorities** regarding program documentation, procedural requirements, and supportive data infrastructure.<br>• **Determine pursuit of administrative waivers** that affect eligibility identification, determination, and maintenance or participation in pilots. | • Determine if administration is to be **delegated to counties**. | • Where applicable, **allocate state funding** for operational costs.<br>• **Fund community-based organizations** for program outreach and enrollment, including VITA services.<br>• **Negotiate terms**, scope of service, and fee structure with vendors based on available funding. |
| **Non-Governmental Organizations** | • **Design the customer-facing financial tools** that deliver program payments when contracted to do so by governments.<br>• May have flexibility to **perform user testing and prototype products and services** that can improve G2P system performance. | • **Build out administrative functions** essential to the G2P system through contracts funded with governments or philanthropic sources. | • May be financed through **revenue generation**. |

# The Journey for G2P Participants

This recipient journey map mirrors the structure of the G2P supply chain (Table 2). The map describes how the actors involved in the G2P system shape the participant experience.

## Table 4. G2P Participant Journey Map

| PROGRAM | ACCESS: Eligibility Identification | ACCESS: Eligibility Determination | ACCESS: Eligibility Maintenance | RECEIPT: Available Payment Methods | RECEIPT: Functionality | RECEIPT: Consumer Protections |
|---|---|---|---|---|---|---|
| EBT – TANF | **Reach:** 21% Participation rate[18] | **Ease:** Eligibility determinations may take up to 60 days from submitting an application, depending on the state. | | **Usefulness:** Only 29 states allow TANF payments to be distributed through direct deposit.[22] **Usefulness:** TANF households are 70 percent less likely to have a bank account compared to other low income households.[23] | **Usefulness:** 23 states place prohibitions on locations, in addition to those prohibited by federal law, where recipients can use EBT or EPC cards.[24] | **Usefulness:** Recipients who recieve payments on an EBT card are not guarenteed consumer protections because EBT cards are not covered by Regulation E. |
| EBT – SNAP | **Reach:** 82% Participation rate[19] | **Ease:** In 2019, over one-third of SNAP benefit denials or terminations were done in error.[20] | **Ease:** Around a third of households that churned, re-entered the program within a month.[21] | **Usefulness:** Recipients across all states recieve SNAP benefits on an EBT card. | **Usefulness:** Recipients are not able to use SNAP funds to purchase things such as hot foods, medicine, pet food, or cleaning supplies.[25] | **Usefulness:** Before the passing of the Consolidated Appropriations Act of 2023, SNAP recipients outside of California, Wisconsin, Michigan and Washington, DC were not reimbursed for stolen SNAP benefits.[26] |
| EBT – Participant voices | How much safety can there be in the safety net if you can't even get on it? | Navigating all these benefit systems is a "part time job I'm not getting paid for." (ES) | The road wouldn't have had to be so rough in some areas if the assistance stayed until I was fully stable...you don't cut me as soon as I make an extra 10 dollars... give a person at least a year or so to get fully acclimated. | I'm spending money I desperately need on fees instead of diapers, my kid's allergy medicine, toilet paper... Sure, I can go elsewhere and avoid fees, but then I'd be out the [cost of] gas or the bus fee. It's a vicious cycle.[27] | | |
| TAX – EIPs | **Reach:** During the second round of EIPs, over half a million payments went to people who the IRS did not have information on previously.[28] | **Ease:** EIPs were sent automatically for those who's information was already on file. | | **Usefulness:** During the first round of stimulus, 1.1 million payments were made via direct deposit, while 850,000 were sent through paper checks.[32] | **Usefulness:** Recipients used the EIPs to pay for basic necessities, pay off debt, and add to their savings.[34] | |
| TAX – CTC | **Reach:** Participation rates for advanced CTC lowest among Hispanic/Latinx adults; American Indian/Alaska Native, Native Hawaiian/Pacific Islander, or more than one race; and adults with household incomes below $25,000.[29] | | | **Usefulness:** Individuals must receive their benefits electronically unless they qualify for an automatic exemption or are granted a waiver on the basis of hardship. 99.2% of recipients receive payment through direct deposit as of April 2023.[33] | **Usefulness:** Under the expanded CTC, low income families used the credit to pay for food, utility bills, rent or mortgage payments, clothing, and cover education costs.[35] | **Usefulness:** The IRS may work with other government agencies to use refunds to pay off government debt such as child support, vehicle registration collections, and court ordered debt.[37] |
| TAX – EITC | **Reach:** 79.3% participation rate[30] | **Ease:** The IRS workbook that presents information about EITC eligibility and benefit determinations exceeds 40 pages, covering factors ranging from age, citizenship, and who counts as a qualifying child.[31] | **Ease:** Determined every year by eligibility criteria. | | **Usefulness:** Recipients largely use the EITC to pay for essentials such as food and housing, clothing, school supplies, and furniture.[36] | |
| TAX – Participant voices | | | That child tax credit that they were giving us, that extra 250 a month for the last 6 months or so was a blessing...and not having it, I can see the crunch even though I have that second job. (kj) | | The stimulus changed how I think about what's possible, personal spending habits and the way in which I manage my money.[38] | |

## Table 4. G2P Participant Journey Map (continued)

| PROGRAM | ACCESS: Eligibility Identification | ACCESS: Eligibility Determination | ACCESS: Eligibility Maintenance | RECEIPT: Available Payment Methods | RECEIPT: Functionality | RECEIPT: Consumer Protections |
|---|---|---|---|---|---|---|
| SOCIAL SECURITY: SSR | **Reach:** 84 percent of people aged 65 or older received Social Security benefits.[39] | **Ease:** Eligibility determinations may take up to six weeks.[42] | **Ease:** Applicant must periodically prove their disbility in order to remain eligible, typically every three years. Recipient must report any changes related to eligibility.[45] | **Usefulness:** Individuals must receive their benefits electronically unless they qualify for an automatic exemption or are granted a waiver on the basis of hardship. 99.2% of recipients receive payment through direct deposit as of April 2023.[46] | **Usefulness:** No stipulations on how or where these funds could be used. | **Usefulness:** All payments are made electronically, ensuring they are protected under Regulation E. |
| SOCIAL SECURITY: SSDI | **Reach:** Less than a third of applicants are awarded benefits.[40] | **Ease:** A study conducted by the National Bureau of Economic research found that half of SSDI beneficiaries received their award on appeal after being denied once or twice, a process that may take around two years.[43] | | | | |
| SOCIAL SECURITY: SSI | **Reach:** Participation rate of 53.9 percent [41] | **Ease:** SSI application form for evaluating non-medical eligibility is 24 pages long.[44] | | | | |

It took me from 2004 when I got my injury to like 2011 when I [was] finally approved…a judge finally looked and…basically said, 'this is the problem with the federal government – you got one arm saying he's disabled, his own doctor's saying he's disbaled, and you got this one agency that can out-leverage these other two or three to say he's not and when you look for their reasoning, nobody can find it in allllll the paperwork they submitted.'

Social Security has helped me not only financially but also medically, because I would not be able to pay for the medicine I receive, the treatments I've had, or my regular doctor visits.[47]

## Performance Factor #1: Policy and Product Differentiation

The singular task of delivering government payments to eligible participants is, in practice, a multifaceted endeavor that different G2P systems approach in different ways according to the statutory and regulatory frameworks that apply to them. This differentiation creates significant variation in performance across all components of both *access* and *receipt*, which allows for comparisons to identify successful and unsuccessful practices. According to our analysis, policies and practices that enable *passive* access to payment systems by participants and provide high levels of consumer protections and autonomy to participants over how those payments are used support positive outcomes for both administrators and participants of these systems.

**Table 5. How Policy and Product Differentiation Impacts Supply-Side Conditions and Participant Experience**

| | Supply-Side Conditions | Participant Experience |
|---|---|---|
| **Access** | **Policy Differentiation**<br>Burdensome documentation and procedural requirements add complexity that can increase costs and administrative errors, as well as detract from needed capacity in other areas, like case management. | **Reach**<br>→ Uncertainty, perception of possible harm, and a lack of awareness can result in non-participation of eligible individuals and families.<br>→ Burdensome documentation and procedural requirements increase the risk that participants are disqualified, or face sanctions based on administrative errors.<br>**Ease**<br>→ Recertification periods vary in frequency and in required documentation and procedures—challenges that are compounded when households are required to self-report when there is a change of circumstance, such as increased income. |
| **Receipt** | **Product Differentiation**<br>Rules governing which payment methods are available, the consumer protections that apply, and the functionality of those payment methods vary considerably. | **Usefulness**<br>→ Though many households participate in multiple G2P systems, the value they receive from those payments and their ability to integrate those payments into their broader set of financial management tools varies considerably. |

### Access

The G2P payment infrastructure is the point of access for intended participants to receive payments from government programs. These programs vary drastically in the factors that can determine how easy it is to connect to and remain connected to G2P systems. Of particular consequence is whether the participant is required to *actively* or *passively* complete the three access core components—*Eligibility Identification, Eligibility Determination,* and *Eligibility Maintenance*.

*Active* completion of these components requires prospective participants to:[48]

1. ***Eligibility Identification:*** Learn that a particular program exists, independently assess their potential eligibility, and then identify the administering agency that can facilitate enrollment;
2. ***Eligibility Determination:*** Comply with procedural and documentation requirements as necessary to verify that eligibility criteria have been satisfied—including income verification, identity verification, interviews, or appeals if a determination is contested by the participant; and
3. ***Eligibility Maintenance:*** Satisfy the conditions of maintaining eligibility and document that those requirements are satisfied. Recertification periods can be dictated by program rules or initiated by a change in household circumstance—such as an increase in income—which requires a participant to report that change.[49]

Importantly, the challenges created by these requirements can be compounded when participants are eligible for multiple benefits, each with frequently varying rules. Each program may have different conditions for participation, may require different forms of documentation for verifying criteria such as income and identity, or may set different terms for how frequently and under what circumstances a participant must recertify their eligibility. Ultimately, the burden of complying with these requirements can dissuade otherwise eligible participants from pursuing payments that they're entitled to and delay receipt of payments due to the time obligations of navigating this process.

Similarly, the complexity within and among programs creates significant administrative burdens on the workforce responsible with managing these requirements. This complexity can frequently lead to errors. With SNAP, two-thirds of payment errors are a result of caseworker rather than client error, which reflects the intricacies of eligibility determinations.[50] As an Ohio SNAP administrator explained, "from radiation exposure compensation, to Agent Orange settlements, to Japanese ancestry permanent resident survivors' benefits…there's just so many different exclusions [from the asset test]…so accuracy for that is hard."[51]

*Passive* completion of these components relies on data that already exists to either automate or streamline eligibility processes. EIPs, for example, were issued automatically using prior year tax filings. Passive completion can also be achieved by using enrollment outcomes or data that has already been verified for participation in other programs. This requires Congressional approval to establish "linkages" between programs—defining which data can be shared between what programs and under what circumstances, as well as the infrastructure to enable data to be shared. Effective data sharing can enable full *automation* of enrollment in one program based on enrollment in another with little or no obligation for the participant. Alternatively, it could at least enable *streamlining* of enrollment where information already verified for enrollment in one program (such as income) can be used to eliminate that step when applying for another.[52]

Data sharing holds potential to both increase the *reach* of payment systems to eligible participants—by proactively identifying and determining eligibility based on existing information on-hand for some programs—and their *ease,* by eliminating redundant steps in others. Data sharing can also eliminate the need for frontline workers to take the time to administer duplicative processes, allowing the workforce to be utilized in more productive ways.

Yet, there can be significant barriers to utilizing the linkages that are available. The rules governing data sharing are specific and can be difficult to navigate. For example, SSI and TANF can share data for the purposes of SNAP eligibility but not vice versa. Additionally, data sharing agreements must also meet federal and state privacy laws for the specific use cases.[53] As a result, program administrators might not know the data sharing capabilities that exist or how to comply with the rules governing them. Finally, administrators need the back-end systems capable of sharing this data securely and effectively, an expense which may create an additional barrier.

## Receipt

Design decisions about how payments are disbursed have substantial consequences for participants' ability to access and use these resources with autonomy and protect their value. Whether a payment is *federally vs. state-administered* and *needs-based vs. non-needs-based* are the primary determinants of *Available Payment Methods; Consumer Protections; and Functionality*.

*Available Payment Methods*—such as check, direct deposit into a bank account or prepaid card, or closed-loop debit card like EBT—directly shape the *reach, ease,* and *usefulness* of payments. The payment method impacts the speed of receipt as well as the levels of friction and costs to access payments, especially among households lacking a bank account. It also impacts the options for where, how, and on what those payments may be used, and whether those payments can be integrated into other tools a participant uses to manage their resources. The advantages and disadvantages of these payment options are more fully examined in Table 6 below.

The options offered to recipients are primarily determined by statutory rules that apply to the system that the payment is being delivered through, which broadly categorize payment systems by *federally vs. state-administered*. Federal payments are required to be made electronically (except for IRS issued payments).[54] As such, SSR, SSDI, and SSI payments made through the SSA are deposited into personal bank accounts or onto a Direct Express debit card provided by SSA.

For state-administered payments, all SNAP payments have been made electronically in every state since 2004 through the Electronic Benefit Transfer (EBT) system.[55] Participants transact SNAP benefits through EBT cards, which are restricted to certain retailers and products. Meanwhile, states have the option of delivering TANF payments into a bank account or prepaid card, EBT cards, an Electronic Payment Card (EPC), or check–though in practice, 40 states leverage EBT systems due to cost.

**Table 6: Methods of Receiving Benefit Payments Vary in Functionality and Consumer Protections**

| Performance Indicator | Design Element | Direct Deposit | Electronic Benefit Transfer | Electronic Payment Card | Check |
|---|---|---|---|---|---|
| **Reach** | **Accessibility** | Barriers to access for some (I.e. households of color, households with working-age adults living with disabilities, and households with low income—For more please see: [The Price of Entry: Banking in America](The Price of Entry: Banking in America).) | May be difficult to access without a safe mailing address. | May be difficult to access without a safe mailing address. | May be difficult to access without a safe mailing address and recipients may incur costs to cash them. |
| **Ease** | **Protection against loss, theft, and unauthorized charges** | Guaranteed | Not guaranteed by federal statute, voluntary adoption by states. | Not guaranteed by federal statute, voluntary adoption by states. | No guarantee |
| | **Disclosure of terms and conditions and fees** | Guaranteed | Not guaranteed by federal statute, voluntary adoption by states. | Not guaranteed by federal statute, voluntary adoption by states. | No guarantee |
| | **Identity theft and data privacy protection** | Guaranteed | Not guaranteed by federal statute, voluntary adoption by states. | Not guaranteed by federal statute, voluntary adoption by states. | No guarantee |
| **Usefulness** | **Mobile-transaction capabilities** | Available | Not widely available, piloted in some states. | Available | Can be cashed through a mobile phone application with most banks. |
| | **Transaction restrictions** | Unrestricted transaction capabilities | Restricted transaction capabilities. | Unrestricted aside from locations prohibited by federal or state law. | Unrestricted once a check has been deposited or cashed. |
| | **Comingling of funds** | Available | Not available | Not available | Possible if check has been deposited to a bank account. |
| | **Protection against garnishment** | No | Yes | Yes | Possible if check has been deposited to a bank account. |

*Consumer Protections* attached to different payment delivery options are primarily determined by whether that option carries Regulation E (Reg E) coverage. Reg E conveys terms such as protection against loss, theft, or unauthorized charges; disclosure of conditions and fees; and dispute rights in the case of errors for most types of payments.[56] Whether Reg E applies to a G2P system is determined by whether payments are *federally vs. state-administered* and *needs-based vs. non-needs-based*.[57]

*Federally administered benefits programs* (even if those benefits are needs-tested) are covered by Reg E consumer protection, including accounts used to distribute Social Security, SSDI, and SSI payments; and IRS issued payments like EITC or CTC. Additionally, state-administered, non-needs-based programs, such as Unemployment Insurance, are also covered.

Meanwhile, *state-administered, needs-based* programs such as TANF and SNAP are exempt from Reg E consumer protection. Although many government-issued EPCs used for TANF appear to adopt these standards voluntarily, there is no guarantee of consistency.[58] Additionally, large-scale theft of SNAP and TANF benefits through skimming and cloning practices targeting EBT cards required Congressional action to provide a mechanism for reimbursing states for issuing replacement benefits to participants who had been victimized.[59] While providing needed compensation to participants, this intervention requires states to submit plans for reimbursing lost benefits to be reviewed and approved by the Food and Nutrition Service, the federal agency that administers SNAP.

*Functionality* varies considerably with different payment methods, depending upon the types of constraints and flexibilities participants are given to access and use payments at locations and on purchases of their choosing. While Federal payments distributed by SSA and the tax system are either required to be made through methods that provide a range of access and use options or allow for them to be offered, payments through SNAP and TANF programs administered by states must accommodate legislative requirements that restrict their access in use.

For example, federal statute requires states to implement practices that prevent TANF funds from being used "in any electronic benefit transfer transaction at liquor stores, casinos, or strip-clubs."[60] In addition to the lack of evidence indicating that TANF funds are used in these locations, implementing these restrictions as part of the payment method creates costs and burdens for both payment providers and recipients. Further, SNAP benefits are restricted to specific retailers and purchases, and require participants to swipe their EBT cards and enter a PIN, further limiting their use. However, pilot programs for both online and mobile purchasing are underway and in the planning phase, respectively, that could ease some of these burdens.[61]

## Performance Factor #2: Degree of Diffusion in Decision Making and Implementation

The degree to which *rule setting* for payment systems includes multiple levels of government decision making and implementation involving multiple actors to *execute the functions* of the G2P infrastructure can shape both the efficiency and cost of administration. Our research observes a correlation between tighter and fewer relationships governing systems decision making and implementation to participants receiving payments more directly and efficiently. Conversely, more diffuse relationships involving more actors correlated with increased friction and costs for participants.

Existing research and supply-side experts interviewed for this report attributed these dynamics to numerous factors. These include states lacking clear guidance on federally approved flexibilities that would enable a simplified or streamlined participant experience, resulting in more conservative and risk-averse choices that prioritize established practices. They also include vendors and states having to navigate time-consuming procurement processes that lack clear delineation of decision-making authority, or data ownership and usage concerns, which can limit a state's ability to share data across programs to facilitate outreach and enrollment.

**Table 7. How Diffusion in Decision Making and Implementation Impacts Supply-Side Conditions and Participant Experience**

| | Supply-Side Conditions | Participant Experience |
|---|---|---|
| **Setting Rules** | While there is a standardized set or rules for federally administered programs, states are left to interpret federal requirements that may not include guidelines or benchmarks for program performance. | **Reach**<br>→ States may impose additional requirements that undermine a participant's ability to successfully apply for a program.<br>**Ease**<br>→ Direct deposit may not be available to participants in some states.<br>**Usefulness**<br>→ States may place additional prohibitions on where and what payments can be used for, limiting recipients' ability to transact. |
| **Executing Functions** | The terms of relationships between government entities and vendors can create varying levels of accountability, oversight, and clarity in conditions for implementing programs in compliance with statutory requirements.<br>The procurement process can impose significant costs and implementation delays for both government entities and vendors. | **Usefulness**<br>→ There is significant variation in the availability, quality, sustainability, and cost of products and services offered to individuals from non-governmental actors. |

### Setting Rules

Federally administered programs apply a standardized set of conditions of participation and options for payment delivery. In contrast, for state-administered programs, benefit administrators have degrees of discretion for implementing federal requirements and additional choices allowable within federal guidelines. This can create a variety of standards and support, and introduce additional opportunities for administrative requirements that can undermine *reach*, *ease*, and *usefulness* of payments, while also increasing the burden on program administrators.[62]

For example, the interpretation of the federal requirement that TANF funds be prevented from being used "in any electronic benefit transfer transaction at liquor stores, casinos, or strip-clubs" resulted in methods of implementation that significantly varied across the states. In California, for example, the Department of Social Services manually identified and reviewed 55,000 ATMs and ultimately disabled 6,500 for EBT use due to those being in restricted locations. This not only created barriers for recipients but also required a significant commitment of staff resources. Other states, like Arizona, eliminated its direct deposit option in order to prevent such transactions, citing the impossibility of monitoring TANF withdrawals from private bank accounts.[63] The federal agency with oversight of TANF administration issued additional guidance to states in 2016 clarifying that direct deposit should continue to be allowed for payment receipt.[64]

## Executing Functions

Devolving G2P functions can involve engaging multiple entities for administration. The terms of these relationships can create both substantial financial and time costs for government and formal non-governmental actors, and varying levels of accountability, oversight, and commitment to participant interest can create significant variation in the quality and cost of services received by individuals.

*Formal* agreements occur where government entities contract directly with vendors to provide services to participants. These contracts specify terms and conditions of service including costs, data rights and privacy provisions, and compliance requirements.

For example, actors such as issuing banks and program managers/processors are financed through the governments they contract with and—depending on whether the product offered is an open-loop or closed-loop card[65]—through swipe fees, transaction fees and other charges.

On the federal level, SSA contracts with Comerica bank to issue benefits through Direct Express. At the state level, EBT vendors act as both the program manager and payment processor, meaning that they use their own infrastructure to process payments as opposed to using the Mastercard or Visa infrastructure. Each state contracts with a single EBT processor to handle all SNAP EBT transactions and, frequently, multiple other state-administered programs that leverage the EBT infrastructure for delivery, including TANF.[66] Additionally, each state develops its own request for proposals (RFP), requiring EBT processors to develop customized bids and negotiate customized contracts with each state. This creates massive duplication of effort and expenditures by states and vendors to administer the same programs and meet the same federal compliance requirements, often with minor differences in customization for state-specific policy choices.

*Semi-Formal* agreements occur when government entities provide core functions indirectly by enlisting private-sector actors (either for-profit or nonprofit) to voluntarily provide a set of services to participants. Though there are agreed terms and conditions structuring the obligations of these intermediaries, the low levels of accountability and enforcement create considerable variability in performance.

For example, the IRS currently facilitates tax filing for eligible households through partnerships with community-based organization programs participating in its Volunteer Income Tax Assistance (VITA) program and commercial preparers participating in its Free File Alliance. Low- and middle-income tax filers as well as elderly tax filers are eligible to have their returns prepared for free through VITA and Tax Counseling for the Elderly (TCE) programs.[67] VITA and TCE are administered by community organizations that are staffed by IRS-certified volunteer tax preparers. In 2022, 57,420 volunteers working with the VITA and TCE programs prepared more than 2.2 million tax returns.[68] The IRS has found that VITA and TCE preparers have the lowest error rates, at about 11 percent.[69]

The Free File program is a public-private partnership between the IRS and a group of tax software companies that have agreed to provide free online tax-filing services for low-income taxpayers.[70] This agreement incentivizes participation among private-sector actors to obviate the need for a public option, and the Memorandum of Understanding governing the program specifies that these Free File Alliance companies can terminate this relationship if the IRS commits funding "to offer services for free to taxpayers." A recent report by GAO identified numerous ways that this partnership is underserving tax-filers specifically, which could also serve to characterize potential challenges of semi-formal relationships broadly—including low utilization, market volatility, and lacking standards of customer experience.[71]

*Informal* relationships occur where there is a total lack of infrastructure provided for by the government entities implementing G2P systems and private sector actors (either for-profit or nonprofit) fill gaps in response to unmet participant demand. The range of services, associate costs, and other terms are not obligated to government-specified conditions and are directed, instead, by the business model of the actor involved. Banks play a major role in this space by depositing funds distributed to recipients, where that option is available. However, despite programs offering a direct deposit option, this choice is functionally unavailable to a broad set of participants as barriers to banking persist for many including households of color, low-income households, and to unhoused individuals. The performance of our banking system and G2P system can be mutually reinforcing. For instance, TANF households are 70 percent less likely to have a bank account compared to other low-income households.[72] And 45 million to 50 million taxpayers who filed federal taxes in 2019 did not offer the information necessary for utilizing direct deposit, which not only delays the receipt of payment but also comes at a cost to both administrators and recipients.[73]

## Performance Factor #3: Extent of Cost Externalization

Performance Factor #1 discussed the rules that structure the design and delivery of G2P systems and Performance Factor #2 discussed the number of actors implicated in the decision making and implementation of these systems. This section examines the costs created by those factors and who absorbs them. In particular, we focus on how these factors contribute to *administrative complexity* and *procurement priorities* misaligned with participant outcomes, which both add to the administrative costs and often shift these costs to the participant, undermining program *reach, ease,* and *usefulness*.

To provide a holistic accounting of the costs required for the administration of G2P systems, we include in our analysis costs that are *internalized*—financed by the administrators of these systems, or *externalized*—costs that are incurred by participants in these systems. These externalized costs can come from direct expenditures necessary to access or receive payments, from the loss of payment value due to inferior consumer protections or utilization fees, or from delays, interruptions, or loss of benefits. While literature around administrative burdens has documented critical non-financial costs participants can experience—such as psychological costs like stigma—this analysis focuses on the financial dimensions to emphasize the extent to which systems rely on participants to be *de facto* administrators in ways that can obscure the scale of the resources necessary to successfully operate.

**Table 8. How the Extent of Cost Externalization Impacts Supply-Side Conditions and Participant Experience**

| | Supply-Side Conditions | Participant Experience |
|---|---|---|
| **Administrative Complexity** | Administrative activities require significant time and resources, which can be particularly strenuous for a program with limited or no administrative funding. Some of this administrative burden may be shifted to the recipient to save on time and monetary costs. | **Reach**<br>→ These administrative tasks may act as a barrier for some who are not able to meet the procedural or documentation requirements.<br>**Ease**<br>→ Limited administrative capacity may result in errors that prolong the application process or disrupt payments.<br>**Usefulness**<br>→ Participants absorb the time and monetary costs to access and receive payments when G2P infrastructure is unavailable or insufficient to support core functions. |
| **Procurement Priorities** | Products and services must be designed around both vendor business models *and* government funding and guidelines. | **Usefulness**<br>→ Balancing vendor and government priorities may result in subpar products and services that undermine the value of the payment being received. |

### Administrative Complexity

The administrative requirements vary across G2P systems—however, core activities can include application processing or eligibility determination; distribution of payments; development and maintenance of information systems; monitoring of program quality and fraud control; and program planning, management, and evaluation.[74] The costs associated with these activities can increase with a program's documentation and procedural requirements. *Administrators* of these programs can experience increased demands on their workforce and require adjustments to data systems to manage this information and ensure compliance. *Participants* may lose income from work to attend to these obligations, pay for transportation or documents, enlist the services of paid professionals for assistance, or lose benefits due to the difficulty of navigating the documentation and procedural requirements.

For example, SNAP participants in California are six times more likely to drop out of the program in the months when paperwork is required from them, despite evidence that the majority of those who lose benefits are likely still eligible based on their incomes.[75] Research indicates that complexity of paperwork is a driver of "churn," the cycling on and off of benefits which contributes to between 1 percent and 4 percent of SNAP administrative costs.[76]

For tax-administered benefits, rules intended to reduce fraud and increase compliance have resulted in an incredibly complicated process for determining eligibility and benefit size. In fact, the IRS workbook that presents information about EITC eligibility and benefit determinations exceeds 40 pages, covering factors such as age, citizenship, and who counts as a qualifying child.[77] The complexity of this process leads many EITC recipients to seek the services of paid preparers, the costs of which functionally represent an access fee for benefits they are otherwise eligible for and eroding the value of those resources. For example, a survey of national paid tax preparation storefronts in Washington, D.C., and Baltimore, Maryland, found that filers claiming the EITC paid the equivalent of between 13 percent and 22 percent of their refunds in fees.[78]

## Procurement Priorities

Successful administration of G2P systems requires that actors across the supply chain are aligned around participant outcomes. A breach in this alignment can occur when government actors' interest in prioritizing program integrity, payment accuracy, and maintaining low costs dictate the terms for vendors providing products and services. As a result, participants can bear costs such as being relegated to lower-value products and services, as well as incurring direct fees for using and managing their payments.

The priorities set by the government as a procurer, as well as cumbersome procurement processes, push vendors out and create high barriers to entry—contributing to a sparsely populated market for payment vendors. This space has been described as a "scale game" since issuing banks and program managers need a significant number of card holders and programs to offset costs. Large banks have left this space due to compliance requirements and profit margin erosion.

The finite demand for EBT processors, high startup costs, and the time consuming state-by-state RFP process contributes to high fixed costs that make it difficult for new vendors to enter the market.[79] This lack of competition, and prioritization for low-cost over high-value bids in the procurement process by states, has created a pricing model for closed-loop cards that does not leave room for innovation to combat fraud—such as moving from magnetic swipe cards to EMV chips [80] or contactless cards. Experts, state officials, and processors we interviewed argued that if state procurement rules allowed greater freedom to select the best technology, even at a higher price, it could improve the quality of service and innovation in SNAP benefit delivery. Yet, because contracts last several years (averaging 7 years and ranging from 3 to 10 years) and because state SNAP agencies have difficulty obtaining legislative approval for additional funding, states typically wait until the next contract cycle to get new features even though they currently exist elsewhere.[81]

Additionally, issuers of government-issued prepaid cards can pass on implementation expenses to participants when they are not financed under state contracts. Accessing TANF funds via EBT often subjects participants to significant utilization costs, including transaction fees charged by the EBT vendor, ATM fees and surcharges, balance inquiry fees, or customer service fees.[82] TANF EBT cardholders in California alone paid more than $20 million in fees and surcharges in 2011.[83]

> **This section examines the costs created by those factors and who absorbs them. In particular, we focus on how these factors contribute to administrative complexity and procurement priorities misaligned with participant outcomes, which both add to the administrative costs and often shift these costs to the participant, undermining program reach, ease, and usefulness.**

# How G2P Systems Can Work Better

The preceding analysis demonstrates how three key factors—*Policy and Product Differentiation, Degree of Diffusion of Decision Making and Implementation,* and *Extent of Cost Externalization*—create conditions for actors administering G2P systems that can create pain points that undermine their *Reach, Ease,* and *Usefulness* for participants. While the goal of this research was not to provide a comprehensive set of recommendations to improve G2P systems, we have identified some robust examples of how G2P actors are exercising the levers available to them to improve performance across these indicators. This provides insight for further actions that could be transferable across systems.

## Practices that Reduce Process and Documentation Requirements for Access and Receipt are Key to Performance Improvement

### **Reach:** The ability of participants to access and receive benefits

Our analysis concludes that strategies for reaching all members of an eligible population are those that *reduce* the access steps of *Eligibility Identification, Eligibility Determination,* and *Eligibility Maintenance* or *perform them automatically* without requiring any participant action. Since governmental actors at either the federal or state level have jurisdiction over these policy choices, examples of existing practices are exclusive to those actors.

There are numerous mechanisms that federal and state governments use to eliminate or automate steps to program access that are onerous administratively and barriers to participation while still maintaining program integrity.

**Table 9. Strategies to Increase the Reach of G2P Systems**

| Steps | Strategies | Examples |
|---|---|---|
| **Eligibility Identification** | Adopt practices that proactively identify eligible participants based on other existing program participation. | Children from households who receive SNAP are automatically enrolled for free school meals without requiring an application.[84] Not only does this process ensure that children who have already been assessed as living in households at risk of food insecurity receive additional nutritional support, it eliminates the administrative requirement for schools to process enrollment independently. |
| **Eligibility Determination** | Provide states flexibility to eliminate inefficient documentation or procedural requirements. | This policy option allows states to align eligibility for SNAP with eligibility for a non-cash TANF service, which 38 states (including the District of Columbia)[85] have used to eliminate the asset limit for SNAP.[86] The Center on Budget and Policy Priorities recently estimated that eliminating asset limits in SSI would increase participation by about 6%.[87] |
| **Eligibility Maintenance** | Allow governments administering benefits to adopt passive renewal procedures. | In order to help eligible households maintain their health care coverage and reduce administrative burden for state agencies, Medicaid requires states to attempt *ex parte* renewal by verifying ongoing eligibility through either existing case information or other available data sources.[88] Only if this process isn't successful is the participant required to return a renewal form to maintain enrollment. |

## **Ease:** The level of friction involved in accessing and receiving benefits

Actors across G2P systems are using strategies to ease accessing and receiving benefits by meeting participants where they are. They recognize that frequently the intended participants of these programs face barriers to meeting the procedural and documentation obligations necessary to satisfy requirements and seek to fill these gaps. Strategies take many forms, such as customizing enrollment interfaces that support broad technological and language uses, or leveraging existing data linkages between systems to passively identify or verify the eligibility of participants.

**Table 10. Strategies to Reduce Friction in Accessing and Receiving Benefits**

| Actors | Strategies | Examples |
|---|---|---|
| **Governmental** | Allow program administrators to deem participants eligible based on proxy data. | In order to facilitate timely delivery of resources available through the Emergency Rental Assistance program authorized as part of the COVID-19 relief effort, the Department of the Treasury issued guidance allowing for fact-specific proxies (such as average income in the applicant's geographic area) to be used for income verification.[89] An applicant would simply need to self-attest to their income in their application. |
| **Formal, Non-Governmental** | Prototype accessible, user-friendly technology to facilitate access to payment systems. | Social impact company Steady created the Income Passport, an app that allows gig workers to consolidate earnings data. This provides workers with a better understanding of their earnings and enables them to prove their eligibility when applying for public benefits. Income Passport is being used by direct cash assistance programs—like the RAFT Program in San Diego County, California—to do a passive check on identity and residency (leveraging the bank's Know Your Customer process), so that applicants do not need to submit multiple forms of verification documents. They can verify their income, identity, and residency all at once and typically in under 10 minutes. |
| | Encourage governments to offer or procure financial services that reduce barriers to payment receipt. | Possession of acceptable identification has presented a substantial barrier to both satisfying the identity verification necessary for program access and to opening a bank account to facilitate payment receipt. In response, the financial technology company Usio, in partnership with Mastercard, is offering the Converge Card, an integrated identification and banking card for returning citizens in New Haven, Connecticut, and unhoused residents in San Jose, California—populations experiencing especially high barriers to securing identification. |
| **Informal, Non-Governmental** | Support and center community-level advocacy efforts. | New Mexico Economic Relief Working Group member, Somos Un Pueblo Unido, led a campaign that made undocumented immigrants in New Mexico eligible for drivers' licenses.[90] This led to more families becoming banked and filing taxes, two factors that boost the likelihood that eligible recipients will receive the payments to which they are entitled. |
| | Develop adaptive verification procedures that minimize administrative burden while supporting program integrity. | Social impact company AidKit developed an identification process that significantly reduces the administrative burden on both applicants and program administrators by assigning varying degrees of scrutiny when verifying documentation. If they can verify a pay stub, for example, administrators do not need to further audit an individual. |

## **Usefulness:** The level of consumer protections and functionality payment products provide

Current practices involving the use of government payments for participants can silo those funds from other sources of income or restrict how, where, or on what those payments can be used—creating a separate and inferior experience to users of other mainstream financial products. Strategies that provide participants with multiple options for accessing accounts and payments, allow them to store or transact those payments securely, and enable payments to be seamlessly integrated into a participant's financial management practices are necessary to modernizing G2P systems to perform on par with other financial products and services.

**Table 11. Strategies to Improve the Usefulness of Payment Products**

| Actors | Strategies | Example |
|---|---|---|
| **Formal, Non-Governmental** | Create the necessary infrastructure for government to adopt an interoperable system. | The City of Los Angeles and MoCaFi launched the Angeleno Connect initiative. The Angeleno Connect Immediate Response card and mobile application leverages technology to provide contactless access to city benefits, cash assistance, and no-to-low fee banking services.[91] Municipal agencies can load funds on the Angeleno Connect Immediate Response card, which can be used anywhere. Since the card is issued by the City of Los Angeles and not a bank, users of the Immediate Response card did not have to undergo a Know Your Customer[92] process to participate, eliminating a significant barrier to payment receipt. |
| **Informal, Non-Governmental** | Leverage mobile technology to improve the user experience. | Technology company Propel offers a smartphone app called Providers that allows people who receive SNAP, TANF, and other benefits delivered via Electronic Benefit Transfer, to check the transaction history and remaining balance of their account on their smartphone. The app also offers a mobile banking account for integrated management of a participant's cash and public benefits resources. |

> **While the goal of this research was not to provide a comprehensive set of recommendations to improve G2P systems, we have identified some robust examples of how G2P actors are exercising the levers available to them to improve performance across these indicators. This provides insight for further actions that could be transferable across systems.**

# Next Steps: Charting a Way Towards Better G2P Infastructure

This paper is a response to the questions: *What do we need to understand about the current ways that government payments are delivered to the people entitled to them so that we can make immediately actionable improvements in the short-term and begin envisioning what a fully successful system would look like, who would need to be a part of it, and what could it be capable of doing over the long-term?*

**This paper offers a depiction of current G2P systems as they are currently designed and delivered, and an assessment of key factors shaping their performance. It also identifies actions being taken by actors playing different roles, and at different places, across these systems to make them work better. In short, it's a starting point.**

Further inquiry is required to advance this foundational analysis in ways that provide a roadmap for actors across G2P systems to pursue toward achieving fully successful performance.

- What are the options for establishing a truly inclusive mechanism for payment receipt that would improve both the accessibility and the efficiency of payments for unbanked or underbanked households, while enabling inclusive financial systems more broadly?
- In what ways can policymakers structure performance metrics, incentives, and guidance for implementing G2P systems in ways that align with the design choices necessary for payments to reach all participants, make them easy to access, and through products that support their use and value?
- How can policymakers address policies like asset limits and benefits cliffs in order to both resolve barriers to access and unlock the potential for payments to function as a tool for advancing financial security and wealth building over time?

Aspen FSP is committed to working with leaders across the G2P ecosystem to identify ways to unlock the potential of these critical forms of public financial infrastructure to more fully support the financial security of all U.S. households.

# Appendix

## Methodology

In order to produce this first-of-its kind primer on government-to-person payment systems, we conducted three strands of research.

**Literature review:** We conducted a literature review to gain an understanding of the well-established learnings about the G2P payment infrastructure and the remaining gaps in knowledge. The existing research is largely framed around the recipient experience and provides us with a high-level understanding of (1) what is generalizable across systems such as the steps involved in getting assistance to people, (2) how these systems vary in terms of performance, and (3) the consequences of this performance. A major gap we identified in the current literature is a comprehensive understanding of G2P systems and how the set of relationships within those systems help shape the recipient experience.

**Interviews:** To help fill the gaps we found in the existing research, we conducted interviews with forty-three experts across the G2P ecosystem. This group includes actors within federal and state governments; community-based and national nonprofit service delivery organizations; research, academic, and advocacy organizations; financial institutions and financial service providers; social impact organizations; and fintech companies. Our objective was to understand how the current G2P infrastructure shapes the recipient experience from the lens of individuals who are deeply embedded in different components of this work. We asked experts about their sector or organization's specific function within this infrastructure and how this relates to their overall business model or objectives, the everyday processes that shape how they work, the notable challenges that they have observed and whether they could identify any potential solutions or models of innovation. These conversations revealed an expansive set of actors, the incentives and constraints felt by the different actors, how these actors work with one another, how this shapes the decisions they make, and what this means for recipients.

**Case studies:** We conducted case studies of governmental and non-governmental innovations meant to increase G2P performance in order to better identify the pain points felt by recipients in the current G2P system, how these pain points vary across the country and for different demographics, and promising practices to remedy these pain points that could be transferable to larger systems design.

## Expert Interviews

Brittany Christenson at AidKit; Amelia O'Rourke at the Consumer Financial Protection Bureau; Andrea Luquetta at Pa'Lante Collaborative Strategies; Ann Flagg from The Administration for Children and Families at the U.S. Department of Health and Human Services; Trooper Sanders and Elisa Zygmunt at Benefits Data Trust; Teri Olle and Kelli Smith at the Economic Security Project; Carrie Miller at the Chief Executive Office of Los Angeles County; Daniel Rose and Jamie Topolski at Conduent; Stephen Nuñez at MEF Associates; Terri Friedline at the University of Michigan; Danny Mintz and Gabe Zucker at Code for America; Emily Paul at Upturn; Gabriela Ibanez Guzman at Somos Un Pueblo Unido; David Helene at Beam; Elizabeth Lower-Basch at the Center for Law and Social Policy (CLASP); Patrice Berry at End Poverty in California (EPIC); Sarah Moran at GiveDirectly; Hope Wollensack and Renee Peterkin at the GRO Fund; David Mayhall and Scott Robinson at Prizeout; Kalena Thomhave a freelance journalist; Lauren Saunders and Carla Sanchez-Adams at the National Consumer Law Center (NCLC); Lexi Gervis at Steady; Madeline Neighly, formerly at the Economic Security Project; Matt Lyons at the American Public Human Services Association (APHSA); Stanley Toussiant and Nisha Baliga at MoCaFi; Amber Wallin and Sharon Kayne at NM Voices for Children; Teresa Madrid at Partnership for Community Action; Stacy Taylor at Propel; Rebecca Thompson, formerly at Prosperity Now; Rebecca Vallas at The Century Foundation; Roxy Caines at the Center on Budget and Policy Priorities; Sheila Gunby at MasterCard; and Kyle Ruschman and Houston Frost at USIO.

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