

The Government of the District of Columbia, Office of Finance and Treasury

Cutting costs and going green with Citi® Prepaid cards

Case Study

The Client Washington D.C., the U.S. capital, is a city of nearly 620,000 people. Prepaid cards modernize the Office of Finance & Treasury's payments and create better visibility and control over them.

The Challenge In a theme that is intimately familiar to virtually every local, state and national government, the District of Columbia remains under constant pressure to both improve its business operations and deliver its services to the public more cost effectively. Toward that end, the District's Office of Finance and Treasury (OFT) plays a key role. In addition to managing the city's financial assets and liabilities, it supports various city agencies and departments in their drive to cut operating costs, particularly efforts that relate to cash management activities.

In recent years, as electronic transactions and technology-based options have redefined the world of payments, the District's OFT has sought opportunities to bring down, or eliminate altogether where possible, paper-based cash disbursements.

The District's Department of Employment Services (DOES), for example, despite offering direct deposit services to recipients of unemployment insurance (UI) benefits, was mired in a world of paper checks. Claimants were offered a direct deposit option, but only about one-third of them opted to have their unemployment payments deposited into their bank accounts electronically. The rest, because they lack bank accounts or for other reasons, chose to receive their unemployment benefits via traditional paper checks, creating the need for DOES to process, print, mail and reconcile nearly 500,000 checks each year – and to also absorb the cost and administrative headaches associated with replacing lost and stolen checks.

The Solution The District's OFT invited Citi, an established banking services partner, to present the DOES with an alternative to paper checks. The solution was Citi® Prepaid debit cards, an increasingly popular tool for making payments among both public and private sector organizations.

Initially the DOES was skeptical about prepaid cards, but after learning more became so convinced of their benefits – to both the DOES and its beneficiaries – that it decided to “go green” with totally paperless benefits payments. In a move estimated to save the District of Columbia \$1.2 million annually, unemployment checks were replaced with personalized Citi Prepaid debit cards from Visa®. As part of the DOES' switch, unemployment compensation recipients can still receive their payments via direct deposit, but all check payments were replaced by funds transfers to personalized unemployment insurance debit cards.

The move to debit cards created a number of advantages for recipients. For instance, they can access their funds free at all in-network ATMs and Visa® member banks, without having to maintain a bank account. They also can make fee-free purchases everywhere Visa® debit cards are accepted.

“DOES is pleased to implement the UI Benefits Card Program in an effort to provide our claimants with a faster, safer, and more cost-efficient means to receive and access their unemployment benefits,” said DOES Director Lisa Maria Mallory in announcing the change. “By eliminating paper checks, our claimants will save both time and the fees associated with check cashing establishments.”

The DOES and OFT also reaped a host of benefits from the change. Significantly less time and fewer resources are needed to manage unemployment benefits payments. Now, instead of issuing tens of thousands of checks each month, the department sends a single data file to Citi containing payment details and Citi loads the payments amounts onto recipients' prepaid data cards virtually. Citi also handles all of the administrative aspects of card issuance and replacement, and there is no cost to the city for issuing or mailing cards to recipients.

The Result

In addition to saving time and money, the DOES gained better visibility and control over the payments it issues while increasing the financial and communications options that it provides claimants.

In fact, based on the huge success of the unemployment insurance card program, other DOES units that manage specialized employment programs and services have decided to switch from checks to prepaid debit cards.

The DOES also has switched to Citi Prepaid cards to compensate some 12,000 students that participate in its Summer Youth Employment Program each year. This safe, convenient way of getting paid provides students with immediate access to their money on pay day, and serves as a practical budgeting and purchasing tool.

Due to the success of the DOES programs, OFT continued down the path of eliminating costly and inefficient paper check processes by identifying additional agency programs that could benefit from these electronic payments:

- The Metropolitan Police Department, in a more novel application of prepaid cards, has embraced them as a way to pay individuals who provide crime tips. To meet this unique, small volume need, Citi set up an instant-issue card program whereby OFT maintains the debit card stock, and through established maker/checker rules can securely issue cards on the spot while maintaining all the necessary financial controls and requisite anonymity of the recipients.
- The D.C. Child and Family Services Agency (CFSA) will soon begin issuing Foster Care payments to legal guardians and caretakers of foster children in the District.
- The D.C. Department of Youth Rehabilitation Services (DYRS) will be issuing prepaid cards as small incentive rewards for positive behavior and progress to youth rehab participants.

- The City's Office of Tax and Revenue (OTR), which expects to issue tax refunds via debit cards beginning with the 2014 tax season, has recently begun using instant-issue cards for one-off emergency tax refunds, reducing the turn-around time for these types of refunds from the previous five days via check to minutes.

The District's Associate Treasurer, Clarice Wood, commented on the implementation process stating, "Citi assigned a Project Manager for each program, as they were being implemented. The Project Manager was excellent, holding weekly conference calls and providing regularly updated project plans. They were flexible and made implementations painless." The District has saved \$1.6 million in the first 18 months of these programs by issuing over 640,000 payments, which otherwise would have been issued via paper check, to over 90,000 prepaid cards.

The District of Columbia's Office of Finance and Treasury, recognizing the flexibility of prepaid cards to meet a variety of low-volume and high-volume payment needs, has introduced new levels of efficiency, cost savings and customer satisfaction to a wide range of payment scenarios.