



REPORT TO CONGRESS

Government-Administered, General-Use Prepaid Cards

November 2024



Background

Federal, state, and local government offices use government-administered, general-use prepaid cards to disburse funds at a lower cost than checks (or other paper-based payment instruments, such as vouchers or coupons) and to provide an alternative to direct deposit for payment recipients, frequently recipients who do not have bank accounts. As a result, government offices contract with financial institutions, known as issuers, to issue prepaid cards, disburse program funds, and provide customer service.¹

Section 1075 of the Dodd-Frank Wall Street Reform and Consumer Protection Act, which added section 920 to the Electronic Fund Transfer Act, requires the Federal Reserve Board (Board) to report annually to Congress on the prevalence of the use of general-use prepaid cards in federal, state, and local government-administered payment programs and on the interchange fees and cardholder fees charged with respect to the use of such cards.²

The Board distributed a survey to 22 issuers to collect prevalence-of-use and fee data on federal, state, and local government-administered payment programs that used network-branded general-use prepaid cards as a method to disburse funds in calendar year 2023.³ All 22 issuers

¹ Occasionally, third-party program managers are involved in government-administered, general-use prepaid card programs. Issuers often contract with program managers to provide services traditionally carried out by the issuer. In certain cases, a program manager contracts directly with the government office and provides almost all functions that are traditionally carried out by an issuer.

² 15 U.S.C. § 1693o-2(a)(7)(D). See “Government-Administered, General-Use Prepaid Cards” on the Board’s website at <https://www.federalreserve.gov/publications/government-prepaid-executive.htm>. A general-use prepaid card program is considered government-administered regardless of whether a federal, state, or local government office operates the program or outsources some or all functions to third parties, so long as the program is operated on behalf of a government office. In addition, a program may be government-administered even if a federal, state, or local government office is not the source of funds for the program it administers. For example, child-support programs are government-administered programs even though individuals fund them.

³ “Government-Administered, General-Use Prepaid Card Survey—Issuer Survey,” FR 3063a, OMB No. 7100-0343. The FR 3063a survey is conducted annually to collect information for this report. The Board identified issuers to survey by consulting with Visa and MasterCard. The Board reviewed the data submitted by survey respondents for completeness, consistency, and anomalous responses. Where possible, the Board resolved identified issues by following up with respondents and by replacing incomplete, inconsistent, or anomalous data elements with imputed values. In computing a given summary statistic for this report, the Board excluded responses with unresolved issues that affected the calculation’s inputs. Although the Board makes a comprehensive effort to identify and resolve issues in the reported data, some issues may not have been identified or resolved by the time this report was published.

responded to the survey, reporting data for more than 1,300 programs.⁴ The Board also collected a limited amount of prevalence-of-use data from the U.S. Department of the Treasury, the U.S. Department of Agriculture, and two nonbank financial institutions that process electronic benefit transfer (EBT) transactions.⁵ The data collected represent programs from all 50 states and the District of Columbia.⁶

Analysis of 2023 Data

Prevalence of Use: Government-Administered, General-Use Prepaid Card Disbursements

For calendar year 2023, government agencies disbursed \$188.4 billion through government-administered, general-use prepaid cards across more than 1,300 reported programs as reported by issuers.⁷ Disbursements to government-administered, general-use prepaid cards decreased roughly 10.5 percent between 2022 and 2023, from \$210.5 billion to \$188.4 billion.⁸ The largest factor in the decrease was the ongoing discontinuation of federal, state, and local programs related to the COVID-19 pandemic. Government-administered, general-use prepaid card disbursements in state and local programs decreased about 13 percent during this period, from \$169.1 billion to \$146.5 billion, while disbursements in federal programs remained relatively static, with a slight increase of roughly 1 percent during this period, from \$41.4 billion to \$41.9 billion.

Total funds disbursed through government-administered, general-use prepaid cards year-over-year are shown in [figure 1](#).

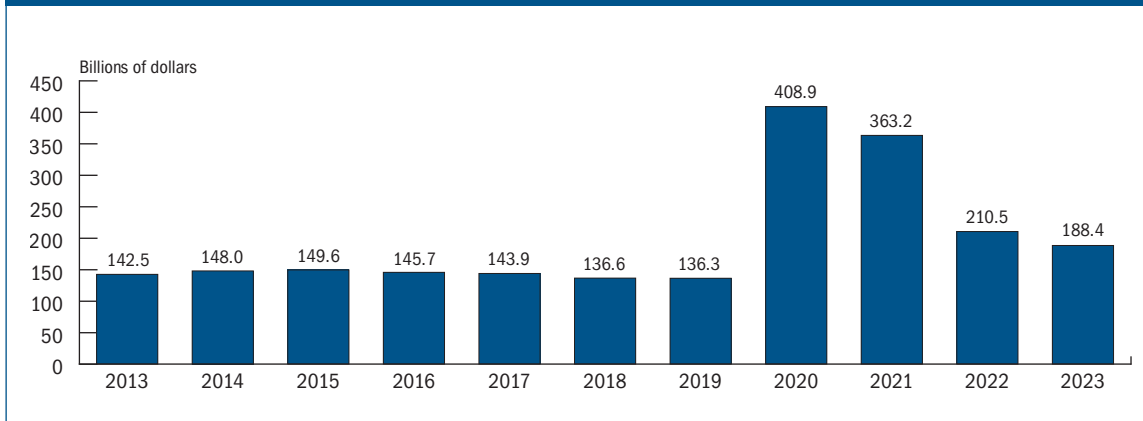
⁴ The pool of reported programs changes over time because programs may be transferred to other issuers, and government agencies may add or eliminate programs and may alter disbursement methods for existing programs. Issuers self-reported the number of programs included in their responses. Some issuers were unable to distinguish between multiple government-administered payment programs that disburse funds on the same general-use prepaid card. The number of programs, therefore, represents a lower-bound approximation. Issuers occasionally partner with third-party program managers that contract directly with government agencies. In these cases, issuers may not have access to some data requested in the survey.

⁵ Program counts were not available from the agencies and institutions that provided prevalence-of-use data.

⁶ Programs include, but are not limited to, (1) federal benefit programs, such as Social Security (Old-Age, Survivors, and Disability Insurance), Supplemental Security Income (SSI), and Veterans Affairs programs; (2) EBT programs, such as Temporary Assistance to Needy Families (TANF); (3) payroll programs; (4) unemployment insurance programs; (5) child support programs; (6) reimbursement programs; (7) disaster relief programs; (8) petty cash programs; and (9) Supplemental Nutrition Assistance Program (SNAP).

⁷ Funds disbursed onto government-administered, general-use prepaid cards that were ultimately returned to government agencies are excluded from this figure. The value of funds returned to government agencies is de minimis.

⁸ For calendar year 2022, the Board issued a correction to its original report regarding the total funds disbursed through government-administered, general-use prepaid cards. See <https://www.federalreserve.gov/publications/files/government-prepaid-report-202310.pdf>.

Figure 1. Total funds disbursed through government-administered, general-use prepaid cards from 2013 to 2023

Fees Received by Issuers

Issuers are largely compensated for their role in these programs through interchange fees and cardholder fees.⁹ Transactions performed using government-administered, general-use prepaid cards are one of several categories of debit card transactions that are exempt by statute from the interchange fee standards of Regulation II.¹⁰

In 2023, issuers of government-administered, general-use prepaid cards reported collecting roughly \$339.9 million in interchange fees. The average interchange fee as a percentage of purchase transaction value for government-administered, general-use prepaid card transactions in 2023 was 0.85 percent. By comparison, the average interchange fee as a percentage of purchase transaction value for all debit card transactions exempt from the interchange fee standards of Regulation II in 2022 was 1.20 percent.¹¹

For cardholder fees, government offices negotiate rates for each program with issuers, and often restrict the number and type of cardholder fees an issuer can charge. In 2023, issuers of

⁹ For definitions of the various cardholder fees mentioned in this report, see “Government-Administered, General-Use Prepaid Card Survey—Issuer Survey,” FR 3063a, OMB No. 7100-0343, https://www.federalreserve.gov/paymentsystems/files/FR3063a_government_issuer_survey_2023.pdf.

¹⁰ Regulation II limits the amount of any interchange fee that an issuer may receive with respect to a debit card transaction. See 12 C.F.R. § 235.3. In addition to debit card transactions performed with government-administered, general-use prepaid cards, certain other categories of debit card transactions are exempt by statute from Regulation II’s interchange fee cap. See 12 C.F.R. § 235.5.

¹¹ See “Regulation II (Debit Card Interchange Fees and Routing), Average Debit Card Interchange Fee by Payment Card Network,” Board of Governors of the Federal Reserve System, last modified October 25, 2023, <https://www.federalreserve.gov/paymentsystems/regii-average-interchange-fee.htm>. At the time of this report, data for debit card transactions performed in 2023 was not yet available.

government-administered, general-use prepaid cards reported collecting roughly \$129.6 million in cardholder fees.¹²

Data highlights

- The amount of interchange fees received by issuers of government-administered, general-use prepaid cards decreased about 5.6 percent between 2022 and 2023, from \$360 million to \$339.9 million. During the same period, the number of transactions performed using government-administered, general-use prepaid cards increased about one percent, from 966.5 million to 975.8 million.
- The average interchange fee per purchase transaction performed using government-administered, general-use prepaid cards decreased about 5.4 percent between 2022 and 2023, from 37 cents to 35 cents. During the same period, the average value of purchase transactions performed using government-administered, general-use prepaid cards increased about 3.1 percent, from \$39.56 to \$40.77.¹³
- The average interchange fee as a percentage of purchase transaction value between 2022 and 2023 decreased from 0.97 percent to 0.92 percent for federal programs, and decreased from 0.89 percent to 0.79 percent for state and local programs.¹⁴
- Total cardholder fees received by issuers of government-administered, general-use prepaid cards decreased 4.4 percent between 2022 and 2023, from \$135.6 million to \$129.6 million. In 2023, total cardholder fees constituted 0.17 percent of program funds disbursed onto government-administered, general-use prepaid cards.

Revisions

The Federal Reserve revised this report in December 2025 to address the revisions described below.

On page 2, Prevalence of Use: Government-Administered, General-Use Prepaid Card Disbursements, data for 2023 total disbursements were corrected as follows: “\$189.8 billion” was changed to “\$188.4 billion,” and “9.8 percent” was changed to “10.5 percent.”

¹² Consistent with previous reports, the Board calculated all fee-related figures using data collected through the issuer survey for the population of network-branded government-administered, general-use prepaid cards excluding EBT cards. For EBT card programs, states generally pay an issuer or processor based on the number of beneficiaries enrolled in a program per month, in part because there are no interchange fees associated with these EBT card programs. Certain cardholder fees, such as a fee for card replacement, may also apply to EBT programs.

¹³ The Board calculated the average value of purchase transactions as the quotient of the aggregate value of all settled purchase transactions divided by the number of settled purchase transactions.

¹⁴ The Board calculated the average interchange fee as a percentage of purchase transaction value as the quotient of total interchange fees divided by the value of settled purchase transactions.

On page 2, Prevalence of Use: Government-Administered, General-Use Prepaid Card Disbursements, data for 2023 state and local programs were corrected as follows: “\$147.1 billion” was changed to “\$146.5 billion.” On page 2, Prevalence of Use: Government-Administered, General-Use Prepaid Card Disbursements, data for 2022 federal programs were corrected as follows: “\$41.1 billion” was changed to “\$41.4 billion,” and “two percent” was changed to “one percent.”

On page 3, figure 1, data for 2023 were corrected as follows: “189.8” was changed to “188.4.”