

**STATEMENT OF
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**BEFORE THE
SUBCOMMITTEE ON MONETARY POLICY AND TRADE:
HOUSE COMMITTEE ON FINANCIAL SERVICES
“Coin and Currency Production”**

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2128 Rayburn House Office Building

Chairman Campbell, Ranking Member Clay and Members of the Subcommittee, I appreciate the opportunity to appear before you once again today to discuss the United States Mint and U.S. coin production. I last testified before this Subcommittee in November of 2012, and I look forward to updating you on United States Mint operations and programs, as well as addressing your interest in circulating coins, our alternative metals research and development (R&D), and the United States Mint’s bullion and commemorative coin programs.

I want to start by saying again that I have the honor of leading one of our Nation’s oldest and most venerable public institutions. Congress established the United States Mint in 1792, and it is the largest in the world. We have a rich history and play a very important role in the financial fabric of our country. And none of this would be possible without our people. The United States Mint is a vibrant team of 1,700 dedicated men and women located here in Washington and at five facilities across the country—Philadelphia, West Point, Fort Knox, Denver, and San Francisco. By law, the United States Mint operates two fiscally separate programs: a circulating coin program and a numismatic products program that includes collectible coin and medal

products and our precious metal bullion coins.

Circulating Coin Costs and Efficiencies

As I testified in 2012, the United States Mint is committed to delivering our products at the lowest cost, and we delivered excellent results in Fiscal Year (FY) 2013. In FY 2013, our circulating coin operations shipped 10.7 billion coins to the Federal Reserve Banks, an increase of nearly 18 percent from the 9.1 billion shipped in FY 2012. The general and administrative (G&A) costs of our circulating coin operations decreased some \$4.7 million—7.6 percent to \$56.9 million in 2013 from \$61.6 million in 2012. Since 2009 we have reduced these G&A costs by 42 percent. In short, our costs are down and our production is up. This resulted in \$350 million of seigniorage being transferred to the Treasury General Fund, our first such transfer in three years.

I will now turn to a few specific topics as they relate to the hearing today, starting with a status report on our R&D efforts to find less costly alternative metallic materials for production of U.S. coinage.

Research and Development on Alternative Metals

In December 2012, we provided the United States Mint's first biennial report to Congress under the provisions of the "Coin Modernization, Oversight, and Continuity Act of 2010." The full

report, which discussed and summarized the findings of the R&D program in detail, is available on our website, www.usmint.gov.

That report detailed the establishment of the R&D laboratory at our Philadelphia facility and our work to date analyzing and testing various possible alternative metals for our coinage.

Researchers tested hundreds of trial pieces made up of 29 different alloy combinations.

Since then, we have continued our efforts through:

- Additional testing of alternative metals;
- Conducting test production-scale runs to validate manufacturability, supplier capabilities, and costs;
- Verifying estimated costs to stakeholders associated with potential coin composition changes; and
- Continuing ongoing dialog and outreach with stakeholders.

At this juncture, there are several key points to share:

- The overarching mission of our circulating coin program is to facilitate commerce by minting and issuing coins in amounts that the Secretary of the Treasury decides are necessary to meet the needs of the United States. As our 2013 results demonstrate, the United States Mint currently is meeting that mission with a denomination portfolio that, as a whole, has generated positive seigniorage.

- Cash is, and will remain, an important method to settle financial transactions. Based on the results from the 2011 Survey of Consumer Payment Choice, an economist for the Federal Reserve Bank of Boston concluded that 65 percent of all transactions under \$10 in value utilize cash and that 45 percent of all transactions under \$25 in value utilize cash.¹
- With coinage remaining an important part of our Nation’s financial fabric for the foreseeable future, the main goal of the United States Mint’s R&D effort is to identify feasible, less costly alternative metallic materials and production methods for all circulating U.S. coins.
- Our report in 2012 concluded that no alternative metal compositions would lower the cost of the one-cent coin, and that it is highly unlikely that the cost of minting and issuing the penny would ever fall below one cent.
- When other countries have made changes to their coinage and currency portfolios, a key to the success of the change is the effectiveness of the communication plan that explains what the change is, why it is happening, when it will happen, and how it will affect various stakeholders.

¹Scott Schuh, Federal Reserve Bank of Boston, “Consumer Payment Choices in an Era of Innovation and Policy Intervention” presentation to NEACH Payments Markets Forum, February 14, 2013. Data taken from “2011 Survey of Consumer Payment Choice,” Bureau of Economic Analysis/Haver Analytics. The views expressed in this presentation do not necessarily represent the views of the Federal Reserve Bank of Boston or the Federal Reserve System. Results from the 2011 Survey of Consumer Payment Choice (SCPC) are preliminary and subject to change.

- Changing the metallic composition of the coin denominations commonly used in vending will affect a variety of stakeholders, both large and small businesses, in different ways. The United States Mint is actively seeking feedback from industry stakeholders in areas such as vending, parking meters, coin-operated laundry, amusement, public transportation, banking, and supermarkets. We hosted a stakeholder outreach event that was very well attended, and we are actively seeking input from these groups and the public at large with multiple surveys and requests for public comment.
- We will also be soliciting comments on the public's use of coins in financial transactions and views on alternative coin options. We will use this feedback on consumer behavior and preferences in our analysis of cost-saving options for all denominations.

Our next report to Congress is due in December of this year, and we are committed to providing you with thorough and accurate information for you to use in considering any potential changes to U.S. coinage.

Investment-Grade Bullion Coins

One of our missions is to mint and issue gold and silver bullion coins to meet the needs of precious metal investors. We are the largest producer of gold and silver bullion coins in the world. We also have the discretion to mint and issue platinum bullion coins, but we suspended their production in 2009, in order to devote our resources to meeting the enormous increases in gold and silver bullion coin demand. Earlier this year, however, we resumed sales of one-ounce

American Eagle Platinum Bullion Coins. We listened to our customers, the American public, who indicated that they wanted this precious metal restored to our portfolio of investment-grade coin offerings.

Our American Eagle Gold and Silver Bullion Coins are the coins of choice for investors around the world, and the United States Mint set a new record for unit sales in FY 2013. Over the years, we have seen demand for our silver bullion coins increase from 8 million coins in FY 2007 to approximately 43 million in FY 2013. This dramatic increase led to shortages of silver blanks from our suppliers during some periods, which forced the allocation of silver bullion coins. We have successfully worked with our blank suppliers to increase their capacity and supply of blanks to the United States Mint.

Within the last two months, however, demand for silver bullion coins worldwide, including our American Eagles, has shown signs of weakness, as investors apparently have focused more on other competing investment classes. Increased production and waning demand have allowed us to begin carrying over unsold silver bullion coin inventory each week to the point at which we now have a sufficient number of coins produced to meet demand and lift allocations.

We produce all our gold and platinum bullion coins and approximately 80 percent of our silver bullion coins at the United States Mint in West Point, New York. We produce the remainder of our silver bullion coins at Philadelphia and San Francisco. Our bullion coin program is a manufacturing success story, and we thank our suppliers, our network of authorized distributors, and, most importantly, our manufacturing team, for their contributions to this important program.

Commemorative Coin Programs

Since 1982 Congress has authorized 66 commemorative coin programs to honor people, places, events, and institutions of significance in American history and culture. The United States Mint is proud to administer these programs.

Surcharges from the sales of these coins are authorized to help fund a variety of organizations and projects that benefit the public at large. These coin programs have generated more than \$500 million in surcharges for the designated recipient organizations.

The Commemorative Coin Reform Act of 1996 made the recipient organizations partners in bearing the risks of the programs and ensures that the United States Mint recovers the costs of operating the programs. Since 1997, these programs have operated at no cost to the taxpayer. We keep costs of production as low as possible by utilizing manufacturing best practices such as standardized product packaging, bulk purchasing, and make-to-order fulfillment. On the sales side, we leverage the recipient organizations' existing publications and other communications channels to generate interest in the commemorative coin programs among the organizations' key supporters and affinity groups.

We have two important and high-profile commemorative coin programs in 2014—the Civil Rights Act of 1964 and the National Baseball Hall of Fame Commemorative Coin Programs. The baseball program features curved coins—the first ever produced by the United States Mint. Their designs reflect the looks and convex and concave shapes of an actual baseball and glove.

The Civil Rights Act of 1964 Commemorative Coins went on sale January 2 and the National Baseball Hall of Fame Commemorative Coins March 27. The gold and silver National Baseball Hall of Fame Coins sold out in a matter of days—in the case of the gold, a matter of hours.

The United States Mint is actively engaged in regular outreach efforts and public awareness events for both programs that include Members of Congress such as John Lewis and your full committee Ranking Member Maxine Waters, various National Baseball Hall of Fame members, and leaders and others affiliated with their recipient organizations.

The recent Beacon Awards Luncheon and Civil Rights Baseball Game in Houston May 29-30 gave us the rare opportunity to highlight both our current commemorative coin programs on one stage as we promoted and sold both coins.

Mr. Chairman, the United States Mint is a cost-effective, open, transparent organization that is meeting its core mission to produce circulating, precious metal bullion, and numismatic coins and medals to meet the needs of the Nation. I invite you to look at our FY 2013 annual report, available on our Web site at http://www.usmint.gov/about_the_mint/?action=annual_report.

It remains my honor to serve as the leader of the United States Mint, and I thank you for your interest in our activities. I am pleased to answer any questions that you and the Members of the Subcommittee may have.

Thank you.