

**STATEMENT OF DAVID J. RYDER**  
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**BEFORE THE**  
**SUBCOMMITTEE ON MONETARY POLICY AND TRADE:**  
**HOUSE COMMITTEE ON FINANCIAL SERVICES**  
**“The Future of Money: Coins and Banknotes”**  
**September 5, 2018**

Chairman Barr, Ranking Member Moore, and Members of the Subcommittee, it is my honor to appear before you, and I thank you for the opportunity to testify during this hearing.

I look forward to updating you on the United States Mint’s progress as a first class manufacturer and an organization driven by the commitment to outstanding products and customer service. Today, my goal is to share the vision of the Mint’s operations and programs, discuss our circulating coins, alternative metals, bullion, and commemorative coin programs, and update you on our future endeavors.

During my nomination hearing, I discussed financial awareness education for our youth to improve our customer base, various technologies that will be analyzed as a way to improve the security of our coinage, and technologies to improve our operations. I plan to update you today on these initiatives, as well.

**Mint Overview**

It is my honor to lead one of our Nation’s oldest and most venerable public institutions. In 1792, Congress established the first United States Mint facility in Philadelphia. We now have six locations and are the largest coin manufacturer in the world. We are privileged to connect America through coins and medals, which reflect the remarkable history and culture of our Nation.

Congress has given the Mint three primary missions: producing coins at sufficient levels to meet the daily needs of commerce, manufacturing of numismatic and bullion products, and managing and protecting the assets of the American people stored at Ft. Knox, Kentucky.

The United States Mint operates as a matrix organization with multiple lines of operations. Our headquarters are located in Washington, D.C., and there are four production facilities across the country—Philadelphia, West Point, Denver, and San Francisco. Fort Knox is home to the U.S. Bullion Depository.

The Mint's operations are sustained through the sale of circulating coins to the Federal Reserve, numismatic products to the public, and bullion coins to authorized purchasers.

I have visited all four United States Mint production facilities and held town-hall meetings to engage with employees across the organization. This workforce is well-equipped, enthusiastic, engaged, and committed. Our employees have embraced the core values of service, quality and integrity. At any one of these facilities, you'll find safety statistics and a level of morale that rival the best in private industry. This team is committed to quality and efficiency. We have multiple process improvements in manufacturing that have been developed by Lean Six Sigma teams and individual employees.

The Mint employs cutting-edge technology across its three key production phases: design, manufacturing, and packaging. Sculptor engravers use advanced digital tools to transcribe the flat line art of coin designs into 3-dimensional renderings. Robotic technology has reduced the time required for die polishing and grinding from more than two days to just over a half day. A series of robotic arms boosted proof coin packaging from a rate of 600 units per hour to 1,800 units per hour.

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 in addition to precious metal bullion coins. These programs drive three business lines—circulating coins, numismatic items, and bullion coins—in which each of the Mint's four production facilities plays a distinct role. Denver and Philadelphia produce all of the Nation's circulating coins and together they will account for more than 13.9 billion coins by the close of the fiscal

year. San Francisco leads in numismatics, producing more than 1.5 million items annually. More than 98 percent of American gold and silver bullion coins are produced at the West Point facility.

The U.S. Bullion Depository at Fort Knox—perhaps the most well-known Mint facility—has the mission of storing and securing most of America’s gold reserves.

### **Coin Efficiencies**

The Federal Reserve’s demand for circulating coins and the market’s demand for bullion coins will continue to fluctuate due to economic cycles. To manage market uncertainty and commodity risk, the Mint has identified and executed on opportunities for advancing manufacturing processes. Over the last five years, the Mint has implemented operating cost reductions, strategies and systems to generate cost savings. In fiscal year (FY) 2017, cost of goods sold decreased by \$1.8 billion, as compared to FY 2013.

In FY 2017, the total per unit cost decreased for all denominations compared to FY 2013. The unit cost for the penny decreased 1%, the nickel decreased 30%, the dime decreased 27%, and the quarter decreased 22%. In contrast, FY 2017 unit costs increased for all denominations when compared to FY 2016. The unit cost for both pennies and nickels remain above face value for the twelfth consecutive fiscal year. The Mint is collaborating with the Federal Reserve to explore cost reduction strategies for the penny. As of July 2018, the unaudited unit cost of producing and distributing the penny is \$0.0200, the nickel \$0.0738, the dime \$0.0361 and the quarter \$0.0863.

Lean practices and management controls, zero-based budgeting and cash management, have helped the Mint return \$269 million to the Treasury general fund in FY 2017.

### **Commemorative Coin Programs**

Commemorative coin programs play a key role in our ability to connect America through coins. Therefore, it is especially critical that the Mint work closely with the Congress during the legislative development of these coin and medal programs—together we can identify program themes that both resonate with the public and address the preferences of collectors. Since 1982

Congress has authorized 71 commemorative coin programs; the United States Mint is proud to be the administrator of 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 \$522.7 million in surcharges for the designated recipient organizations through June of 2018.

I am pleased to say there is much excitement surrounding the 2019 Apollo 11 50<sup>th</sup> Anniversary commemorative coin program. We believe this program—a tribute to an event that propelled America to the front of the Space Race and captured the imagination of the world—will be particularly popular with both seasoned collectors and new customers because of the subject matter and the innovative curved coin design. We are also excited about next year’s American Legion 100<sup>th</sup> Anniversary commemorative coin program.

We are eager to engage in discussions regarding commemorative coin programs for 2020 and beyond. We also look forward to opening a dialogue about a successor to the circulating commemorative quarter program, as the current America the Beautiful Quarters Program® ends in 2021.

### **Numismatic Customer Base**

Over the past ten years the Mint’s numismatic customer base has been declining—from 1.2 million unique customers in 2007 to approximately 500,000 today. The Mint is developing an outreach strategy aimed at increasing general awareness and promoting specific numismatic products. Our revised strategy will strive to reverse negative customer and numismatic unit sales trends.

### **Bullion Coins**

One of our core priorities is minting and issuing 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 mint and issue platinum bullion coins, and last year, we brought to market our first ever palladium bullion coin.

Our American Eagle Gold and Silver Bullion Coins are the coins of choice for investors around the world. Over the years, we have seen demand for our silver bullion coins increase from 8 million coins in FY 2007 to approximately 47 million in FY 2015. 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.

Beginning in early calendar 2017, however, demand for both gold and silver bullion coins worldwide, including our American Eagle coins, slumped dramatically, as investors apparently focused more on other competing investment classes. In the last couple of months, demand has shown signs of stabilizing, but it seems unlikely that we will return to pre-2017 levels of demand anytime soon. We have adjusted our production levels to be in line with market demand.

We produce all our bullion coins at the United States Mint in West Point, New York, except for America the Beautiful 5-ounce silver bullion coins, which are minted in Philadelphia. 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.

### **The Future of Money**

The pace of technological change, market uncertainty, and the increasing sophistication of criminals are key external factors that will influence the future.

The growth of Blockchain use in the e-commerce space and other monetary factors such as the reduction of coin transactions and the consolidation of settlement outlets will affect Mint operations. The Mint is gathering and analyzing data in order to make informed operational decisions. We will continue to track the pace of technological change and work to gain an understanding of how, where, what, and when emerging platforms will impact our mission and operations.

The Federal Reserve’s demand for circulating coins and the market’s demand for bullion coins will continue to fluctuate with economic cycles—to which we must remain attuned in order to better forecast and project impacts on Mint operations.

Technological advancements will lead to more sophisticated criminals in the form of cyber-attacks and counterfeit goods. As these threats evolve, the Mint must continue to enhance its capabilities to respond effectively to them. The Mint has implemented hardware, software, and vulnerability management capabilities that provide visibility into the cyber environment and strengthen our resilience to an attack. We are also developing anti-counterfeiting measures, focusing particularly on safeguarding our bullion products. I have assembled a team within the Mint who will develop a multi-level approach including consumer awareness information campaigns, new secure product packaging features, as well as product-integrated protections.

The use of coinage is not in immediate danger of being usurped by any of these factors. I believe that for the foreseeable future, coins will remain important instruments for settling financial transactions. However, with expanded cryptocurrency options on the horizon, the importance of their serious study cannot be underestimated. Full understanding of their potential impact on the Mint and commerce across the globe is wholly necessary.

In view of these external factors, my vision for the Mint is an organization that is more agile in responses to changing conditions—able to nimbly adapt to challenges while working in unison as “One Mint.” The future state outlook can be understood in three areas of focus: workforce, process, and technology infrastructure. To prepare for future human capital needs, the Mint will foster a workforce capable of responding to evolving technology, security, and customer needs.

The Mint will continue to operate as a cross-functional organization, focused on collaborating across all business lines. While the Mint will continue to serve its external customers, Mint employees will also serve each other as internal “customers” of other offices and directorates.

The Mint will increasingly integrate information technology into all of its lines of operation. Capital investments, as well as research and development programs, will be prioritized to drive innovation and seamless operations. Employees will remain vigilant and prepared to address threats to physical and cyber security.

## **Alternative Metals**

The Mint has completed three biennial reports (2012, 2014 and 2016) on research and development (R&D) efforts conducted to examine alternative metallic materials. As you know the reports are authorized by the Coin Modernization, Oversight, and Continuity Act of 2010 (Public Law 111-302).

We have identified two potential compositions for the nickel, dime, and quarter. One project involves reducing the amount of nickel in the 5, 10 and 25-cent coins and projects a cost savings of \$4.1 million annually. The other project is exploring the development of a suitable replacement alloy that could offset the production costs of the 5-cent coin. Its projected cost savings is \$16.6 million annually.

We realize that changing the metallic composition of the coin denominations commonly used in vending will impact a variety of stakeholders in both large and small businesses and in different ways. Therefore the Mint is actively seeking feedback from those industry stakeholders who may be impacted in vending areas such as parking meters, coin-operated laundry, amusement, public transportation, banking, and supermarkets. Our plan is to actively seek input from these groups and the public at large with multiple surveys and requests for public comment and other outreach efforts.

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 input in our analysis of determining an alternative metal and cost-saving options for all denominations.

## **Youth Financial Awareness**

In today's electronic and digital environment, younger generations are most likely to know money through their parents' debit or credit cards. However, coins and paper bills are still the most tangible way to lay the foundation for learning about the importance of money.

Helping our youth understand the role of coins can be a gateway for financial awareness. Helping our youth understand the importance of saving their hard-earned money will better enable them to take control of their personal economics and empower their future.

Mr. Chairman, I thank you for your interest in the mission of the United States Mint. I am pleased to answer any questions that you may have.