



# UNITED STATES MINT

## Report to Congress on Operations

From January 1 through March 31, 2008  
Second Quarter Fiscal Year 2008



*James Monroe  
Presidential \$1 Coin*

**Second Quarter Fiscal Year (FY) 2008 Financials:** FY 2008 second quarter revenue declined 12 percent from the same quarter last year because of declining demand for circulating coins. Numismatic revenue increased by 29%, while bullion revenue increased by 77%. FY 2008 year to date revenue was three percent above FY 2007 second quarter cumulative revenue.

**Presidential \$1 Coin Act:** The fifth coin in the Presidential \$1 Coin series honors President James Monroe and was ceremonially released at Ashlawn Highland near Charlottesville, Virginia, on February 13, 2008. Shipments of the James Monroe Presidential \$1 Coin to the Federal Reserve Bank totaled 114 million coins at the close of the second quarter of 2008.



*Oklahoma  
Commemorative  
Quarter-Dollar Coin*

**50 State Quarters® Program:** The Oklahoma Commemorative Quarter-Dollar coin was ceremonially released at the Oklahoma History Center in Oklahoma City, Oklahoma, on January 28, 2008. Shipments of the Oklahoma quarter to the Federal Reserve Bank totaled 496 million coins at the close of the second quarter of 2008.

**Legislative Update:** On March 11, 2008, United States Mint Director Ed Moy testified before the Subcommittee on Domestic and International Monetary Policy, Trade and Technology in the U.S. House of Representatives on the use of alternative coinage materials.

**Other Activities:** The Secretary of the Treasury approved the designs for the Dr. Michael E. DeBakey Congressional Gold Medal on March 31, 2008.

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In a conference report to Public Law 104-52 that created the United States Mint Public Enterprise Fund (PEF), Congress directed the United States Mint to report quarterly on implementation of the PEF. This report is designed to fulfill that requirement.

# **Status of the United States Mint**

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## **Vision and Goals of the United States Mint**

The vision of the United States Mint is "to embody the American spirit through the creation of our nation's coins and medals." The United States Mint is committed to minimizing costs, streamlining operations, providing value to the American people, and ensuring that every product illustrates our American values and history. The United States Mint established the following strategic goals to uphold its vision:

- Establish and reinforce the exclusive brand identity of the United States Mint;
- Create and execute the most effective coin and medal portfolio strategy;
- Achieve greater excellence in coin and medal design;
- Increase operational efficiency while meeting the highest quality standards;
- Develop optimal workforce and workplace culture.

## **Responsibilities of the United States Mint**

The United States Mint's primary responsibilities are the following:

- Enabling commerce by minting and issuing circulating coins in amounts necessary to meet the needs of the United States.
- Striking national medals, including Congressional Gold Medals.
- Manufacturing, marketing and selling proof and uncirculated coins, commemorative coins and medals to the general public. The value of these products, known as numismatic items, generally depends on factors such as mintage, rarity, condition and age.
- Manufacturing, marketing and selling gold, silver and platinum bullion coins through the American Eagle and American Buffalo Bullion Programs. The value of bullion coins generally depends on their weight in specific precious metals. These products are sold by the United States Mint to Authorized Purchasers. The coins are available to the general public through precious metal and coin dealers, brokerage companies and participating banks.
- Safeguarding United States Mint assets and non-Mint assets in the United States Mint's custody, including bullion reserves at the United States Mint Bullion Depository at Fort Knox.

## **Current Business Environment**

### Price of Metals

The sustained increase in the base prices of zinc, copper, and nickel over the past four years has driven up the cost of producing circulating coinage. Metal has become a significant portion of overall production costs and has begun to substantially erode seigniorage derived from circulating operations. Significant cost savings can be achieved by changing the composition of the penny and nickel coins to cheaper alternatives. The United States Mint and the Department of the Treasury have proposed legislation that would allow for the use of alternative materials to mitigate the effect of high metal prices. In response, H.R. 3330 has been introduced to delegate to the Secretary of the Treasury authority to change the material composition of circulating coins.

### Circulating Demand

Circulating revenues are currently lagging behind both projections and FY 2007 levels because of low demand for circulating coinage. Falling coin demand in the second quarter reflects an expected seasonal decline following the holiday months. However, the recent slowdown in economic activity has further weakened demand and decreased circulating revenue. The Federal Reserve Bank has also experienced heightened returns of accumulated coins by commercial banks, resulting in high inventory levels and less need for new coin production. While circulating revenue is projected to recover in the third quarter, a

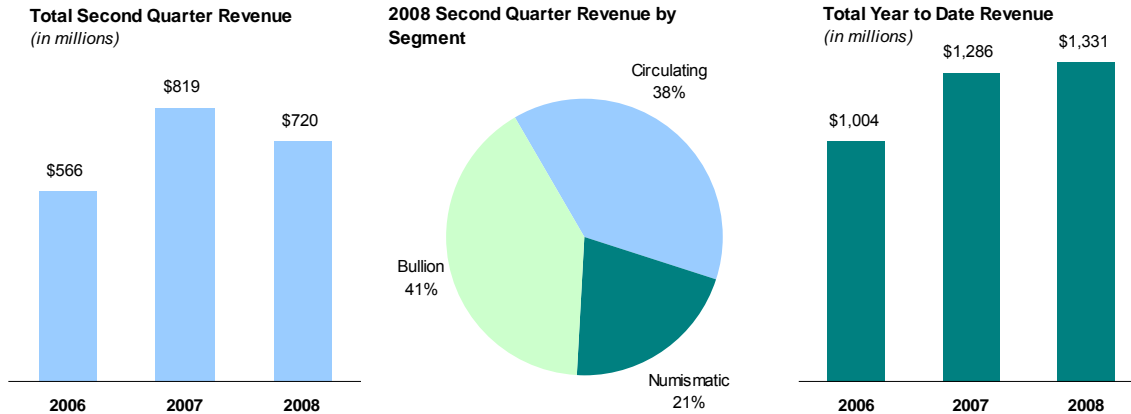
## **Status of the United States Mint**

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prolonged economic slowdown or contraction may reduce the seasonal coin demand increase typically experienced during the summer months.

## Status of the Public Enterprise Fund

The United States Mint's Public Enterprise Fund is financed by the sale of circulating coins to the Federal Reserve and the sale of numismatic and bullion coins and other products to customers worldwide.



	Second Quarter Ended March 31,				Year to Date			
	2008	2007	2006	% Change 2007 to 2008	2008	2007	2006	% Change 2007 to 2008
<i>(\$ in millions)</i>								
Circulating	\$276	\$537	\$321	-49%	\$603	\$784	\$616	-23%
Numismatic	\$150	\$116	\$76	29%	\$332	\$279	\$152	19%
Bullion	\$294	\$166	\$169	77%	\$396	\$223	\$236	78%
<b>Total Revenues</b>	<b>\$720</b>	<b>\$819</b>	<b>\$566</b>	<b>-12%</b>	<b>\$1,331</b>	<b>\$1,286</b>	<b>\$1,004</b>	<b>3%</b>

\*Numismatic figures w/out bullion and include surcharges.

### Circulating

Second quarter revenue from circulating operations totaled \$276 million in FY 2008, down 49 percent from FY 2007. However, year-to-date circulating revenue totaled \$603 million, only 23 percent below FY 2007 second quarter cumulative revenue and just under the FY 2006 figure. Both the normal downward seasonal trend and reduction in economic activity negatively affected coin demand during the period, resulting in fewer new coin orders and less revenue. Increased returns of accumulated coins by commercial banks and high coin inventory levels at the Federal Reserve Bank also contributed to declining shipments. Circulating shipments to the Federal Reserve Bank totaled 1.92 billion coins, a 46 percent decline from the 3.57 billion coins shipped in the second quarter of FY 2007. FY 2008 year-to-date circulating shipments totaled approximately four billion coins, down 40 percent from FY 2007 second quarter cumulative shipments of 6.62 billion coins.

Circulating shipments to the Federal Reserve Bank are expected to increase during the third quarter of FY 2008 to meet the typically high seasonal demand during the summer months. Releases of the New Mexico Quarter and the John Quincy Adams Presidential \$1 Coin are expected to augment revenue growth by sustaining demand consistent with prior releases. However, a prolonged economic slowdown or contraction may reduce circulating revenue growth expectations.

### Numismatic

Numismatic revenue for the second quarter of FY 2008 totaled \$150 million, up 29 percent from the same quarter of FY 2007. Demand for newly released collectible products, including the Bald Eagle Commemorative Coin products and the Buffalo Celebration Coin, contributed to high sales and revenue growth during the period. Despite this, year-to-date numismatic revenue totaled \$332 million, up 19 percent from FY 2007 second quarter cumulative revenue.

Quarterly revenue is projected to increase about 9% to \$164 million in the third quarter of FY 2008. Strong sales of collectible products released in the second quarter are expected to continue. The

## **Status of the Public Enterprise Fund**

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release of the anticipated American Eagle gold uncirculated and platinum coins is also likely to augment numismatic sales over the third quarter.

### **Bullion**

Bullion revenues for the second quarter of FY 2008 totaled \$294 million, up 77 percent from FY 2007 and surpassing circulating operations as the largest contributor to quarterly revenue. Continued increases in precious metals' market prices over the period resulted in unprecedented demand for bullion products. The initial release of 2008 dated products also contributed to higher quarterly revenue. Year-to-date bullion revenue totaled \$396 million, 78 percent above FY 2007 second quarter cumulative revenue.

Bullion revenue is expected to continue to trend with precious metal market prices.

### **Consolidated**

The United States Mint's revenue from second quarter operations totaled \$720 million, down 12 percent from FY 2007 second quarter revenue but well above the FY 2006 figure.

FY 2008 year-to-date revenue totaled \$1.3 billion, up three percent from FY 2007 second quarter cumulative total revenue. Unlike quarterly revenue, FY 2008 cumulative revenue has remained above FY 2007 levels because of higher first quarter circulating revenue and significant revenue growth from bullion sales.

Total revenue is expected to increase in the third quarter as circulating revenue recovers and numismatic sales remain strong.

NOTE: Net circulating revenue (seigniorage) is used as a means of financing the national debt, while numismatic revenue may be used as current operating revenue. Furthermore, circulating revenue may not be used to offset numismatic losses, nor may numismatic revenue be used to augment seigniorage. Accordingly, consolidated financial reporting should be used for year-to-year comparison performances only.

## **Update on Activities**

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### **Presidential \$1 Coin Act**

#### James Monroe Presidential \$1 Coin

On February 13, 2008, President James Monroe's home, Ash Lawn-Highland, in Charlottesville, Virginia, served as the venue for the release of the fifth coin in the Presidential \$1 Coin series. James Monroe, whose Presidency was marked by a time of eased partisan tension and political unification known as "The Era of Good Feelings," served from 1817 to 1825. Monroe is largely remembered for authoring the Monroe Doctrine, which declared United States opposition to European interference in the Americas and became a longstanding tenet of foreign policy.

Shipments of the James Monroe Presidential \$1 Coin to the Federal Reserve Bank totaled 114 million coins at the close of the second quarter of FY 2008. Shipments of the James Madison Presidential \$1 Coin, launched in the first quarter of FY 2008, totaled about 142 million coins. Total shipments of the Presidential \$1 Coin have steadily declined since the program began in the second quarter of FY 2007. Shipments of the George Washington Presidential \$1 Coin totaled 304 million coins, while total shipments of the John Adams Presidential \$1 Coin were 200 million coins, and shipments of the Thomas Jefferson Presidential \$1 coin totaled 170 million coins.

#### Demand and use of circulating \$1 coins

FY 2008 second quarter net pay, the difference between coins distributed by the Federal Reserve Bank to commercial banks and coins returned from commercial banks, for all \$1 coins totaled 61 million coins, down 12 percent from the first quarter total of 69 million coins. This represented a 70 percent decline from the same quarter last fiscal year. However, net pay peaked in the second quarter of FY 2007 largely because of high demand for the George Washington Presidential \$1 Coin.

Net pay for all \$1 coins in FY 2007 totaled 467 million coins. FY 2008 annual net pay for \$1 coins is currently tracking at 260 million coins. This steep decline is largely attributable to higher than normal returns from commercial banks because of overestimation of first-year demand. Collector demand is also expected to drop off as the program enters its second year. However, net pay for \$1 coins is expected to recover in FY 2009, reaching about 425 million coins. This estimate is based on returns to the Federal Reserve Bank declining as commercial banks' inventories of \$1 coins normalize. It also assumes that the robust circulation program will stimulate transactional demand, offsetting the effect of declining collector demand.

A quarterly survey commissioned by the United States Mint found that 15 percent of the United States adult population possessed a Presidential \$1 Coin within a 30-day period prior to taking the survey. Only eight percent had used a Presidential \$1 Coin in a transaction during that time. Despite such relatively low possession and usage rates, the survey did indicate a statistically significant increase in the percentage of people willing to accept the Presidential \$1 Coin as change instead of asking for a \$1 note. About 84 percent of people reported they would accept the coin as change, an eight percent increase from the prior year survey result of 78 percent.

During the second quarter of FY 2008, the United States Mint employed a marketing development services firm to develop a pilot plan for establishing robust circulation of Presidential \$1 Coins. The Office of \$1 Coin Programs will execute this circulation program in four pilot market areas during the third and fourth quarters of FY 2008. The initial goal of the marketing and public relations campaign is to achieve a 100 percent increase in \$1 coin usage in the four markets, as measured by the quarterly Gallup survey. If successful, the program will be rolled-out at the national level.

#### Outreach

As part of a local activation plan with financial institutions, the Office of \$1 Coin Programs met with 63 bank managers to familiarize them with the program and provide materials to help promote coins. These meetings resulted in key attitudinal and behavioral findings. In particular, the great majority of bank managers and staff currently perceive the Presidential \$1 Coin Program as a numismatic collectible

## **Update on Activities**

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series made available to the general public through the Federal Reserve System. Viewed primarily as a collectible, rather than currency, it is dispensed only upon request. Extremely few banks dispense the coins proactively as ordinary change. Possibly because of the this misperception, the Federal Reserve Bank's minimum ordering quantity of \$1 coins (\$1,000) is excessive for most bank branches to dispense in a timely manner. Older coins languish on vault shelves, and banks are reticent to order more. Based on these insights and additional research, the Office of \$1 Coin Programs will be significantly modifying its approach to financial institutions and the public beginning the third quarter of FY 2008.

### First Spouse 24-Karat Gold Coins

In accordance with the Presidential \$1 Coin Act, the United States Mint is issuing one-half ounce, 24-karat gold proof and uncirculated coins commemorating our Nation's First Spouses, in the order they served. The Elizabeth Monroe Gold Coin, the first in the series for the 2008 calendar year, was released February 28, 2008. Sales as of March 30, 2008, were 9,812 coins, nearly 25 percent of a 40,000 maximum mintage.

## **50 State Quarters<sup>®</sup> Program**

### Oklahoma Quarter Launch

United States Mint Acting Deputy Director Dan Shaver joined Governor Brad Henry to launch the Oklahoma Commemorative Quarter-Dollar coin in a ceremony on January 28, 2008, at the Oklahoma History Center in Oklahoma City, Oklahoma. Scott Meacham, State Treasurer, served as the Master of Ceremonies.

The Oklahoma quarter was the first of FY 2008, and the 46th to be introduced in the United States Mint's 50 State Quarters<sup>®</sup> Program. The reverse of the Oklahoma quarter features an image of the State bird, the Scissortail Flycatcher, in flight with its distinctive tail feathers spread. The bird is soaring over the State wildflower, the Indian Blanket, backed by a field of similar wildflowers. The coin's design also bears the inscriptions "Oklahoma" and "1907," the year the State joined the Union.

Demand for the 50 State Quarters has remained largely constant. Shipments of the Oklahoma quarter to the Federal Reserve Bank totaled 496 million coins at the close of the second quarter of FY 2008. This is consistent with the level of demand (approximately 500 million coins per release) sustained for the past few years of the 50 State Quarters Program.

## **Legislative Update**

### Alternative Materials For Circulating Coins

United States Mint Director Moy testified before the Subcommittee on Domestic and International Monetary Policy, Trade and Technology in the U.S. House of Representatives on March 11, 2008. The Department of the Treasury and United States Mint submitted legislation to Congress in response to the rising cost of metals used to produce circulating coins, which has placed economic pressure on the two lowest value denominations –the one-cent and 5-cent coins.

The hearing focused on the "Coin Modernization and Taxpayer Savings Act of 2008," H.R. 5512. It is based, in part, on the recommendations of the Treasury Department's proposal, introduced as H.R. 3330, to reduce the cost of coinage. During the hearing, Director Moy stated the following:

"Portions of this legislation would take a major step toward achieving such a solution. I support it with two specific objections which, if addressed, will ensure that the legislation will not delay or offset the significant savings to our taxpayers that this measure otherwise promises."

"Section 3 of H.R. 5512 assigns the responsibility for determining the metal content ("weight and composition") of all circulating coinage – the one-cent, 5-cent, dime, quarter-dollar, half-dollar and dollar coins to the Secretary of Treasury. This is the approach recommended by the Treasury Department to

## **Update on Activities**

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fairly and efficiently manage the highly technical evaluations of alternative metals using the public process and public protections afforded by the Administrative Procedures Act. All other statutory provisions applicable to coinage – denominations, size, required inscriptions and other factors are unaffected. This authority should be employed to anticipate and prepare for a timely change in materials to avoid unnecessary costs borne by the taxpayers.”

Legislation recommended by the United States Mint and Department of the Treasury has been introduced in the House of Representatives as H.R. 3330, and the U.S. Senate as S. 1986, “The Coinage Materials Modernization Act of 2007.”

### Legislation Enacted to Authorize the Minting of 2008 “Sacagawea design” Golden Dollars

The United States Congress passed a “technical amendment” to authorize the United States Mint to mint and issue 2008 “Sacagawea design” Golden Dollars. This action was necessitated by an oversight in the drafting of the “Native American \$1 Coin Act” enacted in 2007 (P.L. 110-82).



## Other Highlights

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### Medals

#### Dr. Michael E. DeBakey Congressional Gold Medal

Public Law 110-95, the Congressional Gold Medal for Michael Ellis DeBakey, M.D. authorizes the award of a Congressional Gold Medal to Dr. DeBakey, in recognition of his many outstanding contributions to the Nation as a heart surgeon.



The designs for the Congressional Gold Medal honoring Michael Ellis DeBakey, M.D., were presented to the Federal advisory bodies, the Commission of Fine Arts (CFA) and the Citizens Coinage Advisory Committee (CCAC), in January. The Secretary of the Treasury approved the final designs on March 13, 2008. The medal was presented to Dr. DeBakey at a ceremony in the United States Capitol Rotunda on April 23, 2008.

### Coin Designs

#### 2009 Abraham Lincoln Commemorative Coin Program Design Process

The Secretary of the Treasury approved the final designs for the silver dollar coin commemorating the life and legacy of President Abraham Lincoln on January 29, 2008.

#### 2009 Presidential \$1 Coin Program Design Process

The Secretary of the Treasury approved the final designs for the obverse designs honoring Presidents William Henry Harrison, John Tyler, James K. Polk, and Zachary Taylor on March 29, 2008.

#### 2009 Abraham Lincoln Bicentennial One-Cent Coin Redesign Program Process

A second round of designs for "aspect 4" were presented to the CFA, the CCAC, and the Abraham Lincoln Bicentennial Commission in January, followed by a third round in February. The recommendation for the final designs for all four aspects is pending approval.

#### 2009 Louis Braille Commemorative Coin Program Design Process

The design candidates for the silver dollar coin commemorating the bicentennial of the birth of Louis Braille and Braille Literacy efforts were presented to the CFA, the CCAC, and the National Federation of the Blind in February. The recommendation for the final designs is pending approval.

#### 2009 First Spouse Gold and Medal Design Process

The designs for the five obverse and reverse designs honoring Anna Harrison, Letitia Tyler, Julia Tyler, Sarah Polk, and Margaret Taylor, were developed by the United States Mint Sculptor-Engravers and Artistic Infusion Program (AIP) artists in January and February. The design candidates were then reviewed by national scholars and historians referred to the United States Mint by the White House Historical Association. The design candidates will be presented to the CFA and the CCAC in April and May.

#### 2009 Native American \$1 Coin Design Process

The design themes for the 10-plus year program were developed by the Smithsonian's National Museum of the American Indian and were sent to the consulting groups to review in late February. The first design theme will be presented to the CCAC in April.

#### 2009 District of Columbia and United States Territories Program

In January, the United States Mint met with the official liaisons of the District of Columbia, the Commonwealth of Puerto Rico, Guam, American Samoa, the United States Virgin Islands, and the Commonwealth of the Northern Mariana Islands, to discuss the design process for the program. The District of Columbia and the five U.S. Territories submitted their design narratives in February with design development commencing in March. The design candidates will be sent to the District of Columbia and the five U.S. Territories for review in April.

## **Other Highlights**

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### 2009 American Eagle Platinum Design Process

With the *Foundations of American Democracy* three-year series concluding in 2008, the United States Mint will introduce a new six-year series starting in 2009 that explores the core concepts of American Democracy by highlighting the six principles outlined in the Preamble to the United States Constitution. The design themes for the program will be based on narratives prepared by the Chief Justice of the United States. Design development will commence in April.

Plans are underway for a number of other programs, including medals honoring President George W. Bush (for his second term), Secretary of the Treasury Henry M. Paulson, Jr., and the Director of the United States Mint Ed Moy.