



# UNITED STATES MINT

## Report to Congress on Operations

From July 1 through September 30, 2008  
Fourth Quarter Fiscal Year 2008



*Andrew Jackson  
\$1 Coin*



*Alaska  
Commemorative  
Quarter-Dollar Coin*

**Fourth Quarter Fiscal Year (FY) 2008 Financials:** FY 2008 fourth quarter total revenue increased 22 percent from the same quarter last year. Circulating revenue decreased by 22 percent, and numismatic revenue decreased by 21 percent, while bullion revenue increased by 321 percent compared to fourth quarter FY 2007 revenues. FY 2008 year-to-date total revenue was six percent above FY 2007 fourth quarter cumulative revenue.

**Presidential \$1 Coin Act:** The seventh coin in the Presidential \$1 Coin Program honors President Andrew Jackson and was released to the general public on August 14, 2008. Shipments of the Andrew Jackson \$1 Coin to the Federal Reserve Bank totaled 95.6 million coins at the close of the fourth quarter of FY 2008.

**50 State Quarters® Program:** United States Mint Deputy Director Andrew Brunhart joined Lieutenant Governor Sean Parnell to introduce the Alaska commemorative quarter-dollar coin in a ceremony on Aug. 29, 2008, at the Alaska State Fair in Palmer. The Alaska quarter was the fourth state quarter of FY 2008, and the 49th to be released in the United States Mint's 50 State Quarters® Program.

**Legislative Update:** United States Mint Director Edmund Moy continues to discuss the benefits of "The Coinage Materials Modernization Act of 2007." This legislation would authorize the Secretary of the Treasury to prescribe the weights and compositions of U.S. circulating coins, which could save taxpayers billions of dollars.

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# **State 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, 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-United States Mint assets in the bureau's custody, including bullion reserves at the United States Bullion Depository at Fort Knox.

## **Current Business Environment**

### Price of Metals

Metal prices declined somewhat for copper, nickel, and zinc in FY 2008. Comparing average daily spot prices in September 2007 and September 2008, copper was down 8.6 percent, and both nickel and zinc were down 39.8 percent. However, it is still necessary for base metal prices to decrease even further to sustain positive seigniorage across all denominations. Metal constitutes the largest portion of overall production costs and can substantially reduce the seigniorage derived from circulating operations when metal market prices remain high. Continued emphasis should be placed on exploring less expensive alternative alloys that have the potential to generate significant cost savings and mitigate further reductions in seigniorage should metal market prices increase again.

Significant cost savings can be achieved by changing the composition of the circulating coins to less expensive alternatives. The United States Mint and the Department of the Treasury continue to monitor proposed legislation which would allow for the use of alternative materials to mitigate the effect of high metal prices

### Circulating Demand

Circulating revenues are below FY 2007 levels because of low demand for circulating coinage. The continued slowdown in economic activity has weakened demand and decreased circulating revenue. The

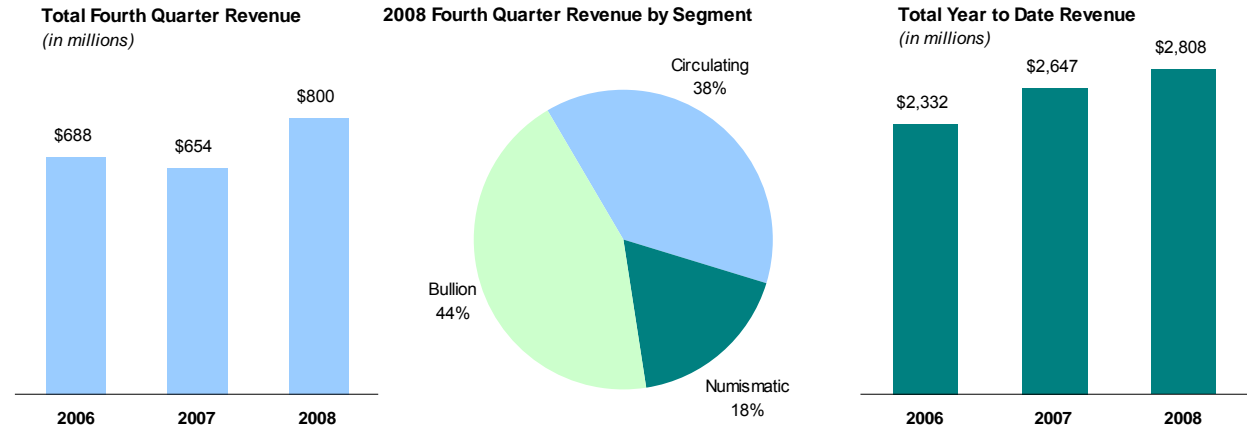
## **State of the United States Mint**

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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. A prolonged economic slowdown would continue to result in suppressed demand for newly minted coins for use in the economy in the first quarter of FY 2009. While a slower economy suppresses the demand for coinage over time, seasonal patterns in demand may increase in the need for newly minted coins during the first quarter.

# 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.



	Fourth Quarter Ended September 30,				Year to Date			
	2008	2007	2006	% Change 2007 to 2008	2008	2007	2006	% Change 2007 to 2008
(\$ in millions)								
Circulating	\$304	\$391	\$304	-22%	\$1,295	\$1,728	\$1,272	-25%
Numismatic	\$142	\$179	\$237	-21%	\$565	\$563	\$524	0%
Bullion	\$354	\$84	\$147	321%	\$948	\$356	\$536	166%
<b>Total Revenues</b>	<b>\$800</b>	<b>\$654</b>	<b>\$688</b>	<b>22%</b>	<b>\$2,808</b>	<b>\$2,647</b>	<b>\$2,332</b>	<b>6%</b>

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

## Circulating

Fourth quarter revenue from circulating operations totaled \$304 million in FY 2008, down 22 percent from FY 2007. The year-to-date circulating revenue totaled \$1,295 million, a 25 percent decrease compared with FY 2007 fourth quarter cumulative revenue and slightly higher than the same period in FY 2006. Circulating shipments to the Federal Reserve Bank totaled 2.75 billion coins in the fourth quarter, a 14 percent decline from the 3.14 billion coins shipped in the fourth quarter of FY 2007. FY 2008 year-to-date circulating shipments totaled approximately 9.9 billion coins, down 48 percent from FY 2007 cumulative shipments of 14.7 billion coins. Circulating coin shipments continued to decline during the fourth quarter of FY 2008 because of lower demand for newly minted coins from the Federal Reserve System.

Based on projected coin orders from the Federal Reserve circulating coinage shipments for the first quarter FY 2009 are forecasted to be 2.4 billion coins which is slightly above the 2.1 billion shipped during the first quarter FY 2008. However, demand for circulating coinage throughout FY 2008 has been considerably lower than FY 2007. This is due to a much lower demand from the Federal Reserve as a result of heavier than average flow-back of coins from public sources, and the continued decline of economic activity resulting from broader market forces. In addition, the demand for Presidential \$1 Coins has not kept up with the demand experienced after the initial launch in FY 2007. Efforts by the Federal Reserve Bank to lower coin inventories for the small denomination coins have also suppressed the demand for newly minted coins.

## Numismatic

Numismatic revenue for the fourth quarter of FY 2008 totaled \$142 million, down 21 percent from the same quarter in FY 2007. The release of fewer products during the third quarter of this fiscal year, in comparison to FY 2007, contributed to this decline, as well as re-pricing activities undertaken as a result of price volatility in the precious metals commodities markets. Year-to-date numismatic revenue through the fourth quarter of FY 2008 totaled \$565 million, level with FY 2007 fourth quarter cumulative revenue.

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

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### **Bullion**

Bullion revenues for the fourth quarter of FY 2008 totaled \$354 million, up 321 percent from the same quarter in FY 2007, and surpassing growth rates for the last three fiscal years because of unprecedented demand for bullion products. FY 2008 bullion revenue totaled \$948 million, 166 percent above FY 2007 fourth quarter cumulative revenue. The \$948 million revenue for FY 2008 was the highest amount since the \$1.2 billion in FY 1987.

During 2008, the United States Mint saw unprecedented demand for gold and silver bullion coins and unusually high demand for platinum bullion coins. The demand exceeded our supply of these coins. However, the shortages were not attributable to production capacity nor to our inventories. The number of high-quality blanks that the United States Mint has been able to acquire from suppliers has been limited, due to the unprecedented world-wide demand for precious metal investment coins. The United States Mint is competing in the world market for high quality gold blanks. As a result, the United States Mint is facing the same difficulty in procuring gold and silver planchets as other mints throughout the world.

#### American Eagle 22K and American Buffalo 24K Bullion Coins

Due to the unprecedented demand for gold and silver bullion coins the United States Mint began providing weekly inventory allocations to Authorized Purchasers for the American Eagle Gold and American Eagle Silver Once Ounce Bullion Coins during the fourth quarter of FY 2008. Sales of American Buffalo Bullion Coins were suspended near the end of the fourth quarter when demand exceeded supply.

### **Consolidated**

The United States Mint's revenue from fourth quarter operations totaled \$800 million, up 22 percent from FY 2007.

FY 2008 year-to-date total revenue was \$2,808 billion, up slightly from FY 2007 cumulative total revenue. FY 2008 cumulative revenue continues to be above FY 2007 levels as increases in numismatic and bullion sales have offset the decrease in circulating activity.

NOTE: Net circulating revenue (seigniorage) is used as a means of financing the national debt, while numismatic and bullion 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 purposes only.

## **Update on Activities**

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

#### Andrew Jackson \$1 Coin

On August 14, 2008, the Andrew Jackson \$1 Coin was released into general circulation. Shipments of the Andrew Jackson \$1 Coin to the Federal Reserve Bank totaled 95.6 million coins at the close of the fourth quarter of FY 2008. Shipments of the John Quincy Adams \$1 Coin, released in the third quarter of FY 2008, totaled approximately 105 million coins. Total shipments of Presidential \$1 Coins have steadily declined since the program began in the second quarter of FY 2007. Shipments of previously issued Presidential \$1 Coin are as follows: George Washington \$1 Coin - 304 million coins, John Adams \$1 Coin - 200 million coins, Thomas Jefferson \$1 Coin - 170 million coins, James Madison \$1 Coin - 142 million coins, and James Monroe \$1 Coin - 114 million coins.

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

FY 2008 fourth 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 \$46 million, down 28 percent from the third quarter total of \$64 million. This represented a 48 percent decline from the same quarter in FY 2007. Net pay for \$1 Coins has steadily declined since the release of the first Presidential \$1 Coin in the second quarter of FY 2007.

Net pay for all \$1 coins in FY 2008 totaled \$240 million. This represents a 49 percent decline from the 467 million coin net pay recorded in FY 2007. This steep decline is largely attributable to a steady decline in orders for \$1 Coins from commercial banks because of overestimation of first-year demand and higher than normal returns from commercial banks since the beginning of the program. The declining demand poses a challenge to the United States Mint in efforts to promote robust circulation of the \$1 Coins.

#### Outreach

The fourth quarter witnessed the introduction of the United States Mint's Presidential \$1 Coin four-city pilot program in early August. Austin, Texas; Charlotte, North Carolina; Grand Rapids, Michigan; and Portland, Oregon were selected to represent typical, medium-sized cities across the country. The campaign is based on generating consumer interest in using the \$1 Coin for small change transactions and providing retailers incentives to dispense and promote the coin. The key messages in this campaign are that \$1 Coins are (1) 100 percent recyclable, (2) durable and last for decades, and (3) cost-effective when used in every day cash transactions, resulting in savings for the Nation.

Within each pilot city, the United States Mint has generated extensive advertising and public relations activities. As the retailer/customer interface is the key to \$1 Coin commercial use and increased circulation, the United States Mint is actively seeking the participation of retailers with a program featuring customizable point-of-sale materials, cashier training and a Local Account Ambassador facilitator. When the pilots conclude in late November, the results will be analyzed to determine if a national roll-out should be conducted.

On September 16, 2008, the United States Mint made great strides in the retail/customer outreach with an agreement with the Washington Metropolitan Area Transit Authority (WMATA) to dispense \$1 Coins in fare card machines throughout the system, effective December 2008.

Another important component of robust circulation is banking. The fourth quarter saw the execution of the United States Mint's banking initiative wherein approximately 10,000 community banks were offered participation in a special \$1 Coin distribution program. The program consists of special point-of-sale materials and commitment by the participating banks to actively dispense \$1 Coins to their customers in day-to-day cash transactions.

The fourth quarter also saw vigorous sales of \$1 Coins from the web-based Circulating \$1 Coin Direct Ship Program. Net sales for the period were approximately 6.4 million \$1 Coins.

## **Update on Activities**

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### 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. Andrew Jackson's Liberty Gold Coin, the third in the series for the 2008 calendar year, was released on August 28, 2008. Sales as of September 30, 2008 were 5,985 coins, approximately 14 percent of a 40,000 maximum mintage.

### **50 State Quarters<sup>®</sup> Program and Other Coin Events**

#### Alaska Quarter

United States Mint Deputy Director Andrew Brunhart joined Lieutenant Governor Sean Parnell to introduce the Alaska commemorative quarter-dollar coin in a ceremony on Aug. 29, 2008, at the Alaska State Fair in Palmer. The Alaska quarter was the fourth state quarter of 2008, and the 49th to be introduced released in the United States Mint's 50 State Quarters Program. Its reverse features a grizzly bear emerging from a stream clutching a salmon in its jaw. The coin's design includes the North Star displayed above the inscription "The Great Land" and the inscriptions "Alaska" and "1959."

#### Braille Commemorative Coin Design Unveiling

United States Mint Director Edmund Moy unveiled the design for the 2009 Louis Braille Bicentennial Silver Dollar at the National Federation of the Blind's annual convention in Dallas on July 2, 2008. A prototype was displayed for the attendees to examine and experience the Braille minted on the coin. It will go on sale in the spring of 2009, the bicentennial anniversary of Louis Braille's birth. Surcharges from the sale of the coin are authorized to be paid to the National Federation of the Blind to help fund Braille literacy initiatives.

#### Lincoln Bicentennial One-Cent Coin Program Design Unveiling

On Sept. 22, 2008, the Lincoln Memorial served as the backdrop as United States Mint Director Edmund Moy unveiled four new designs for the circulating 2009 Lincoln Bicentennial One-Cent Coins. The four new designs celebrate the bicentennial of President Abraham Lincoln's birth, as well as the 100th anniversary of the production of the Lincoln cent (penny). The first redesigned penny, which will honor Lincoln's birth and early childhood in Kentucky, will be released into circulation on Feb. 12, 2009. The other three reverse designs will represent his formative years in Indiana, professional life in Illinois and presidency in Washington, DC. The obverse of the one-cent coins will continue to bear Victor David Brenner's likeness of President Lincoln, introduced in 1909.

#### American Numismatic Association Summer Convention

The United States Mint chose the Nation's largest coin show in Baltimore on July 30, 2008, to unveil the much-anticipated 2009 Ultra High Relief Double Eagle Gold Coin, a modern version of the 1907 Double Eagle. The exhibit at the United States Mint booth at the American Numismatic Association's (ANA) summer convention displayed the coin's development from its origin as gold bars to the finished, one-ounce 24-karat coins. United States Mint Director Edmund Moy participated in the opening ceremony of the ANA convention before officially opening the United States Mint exhibit.

## **Update on Activities**

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### **Coin and Medal Design**

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

On July 8, 2008, the Secretary of the Treasury approved the five obverse and reverse designs (both coin and medal) honoring Anna Harrison, Letitia Tyler, Julia Tyler, Sarah Polk and Margaret Taylor. All coins are scheduled to be released in 2009.

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

On July 24, 2008, the Secretary of the Treasury approved the reverse design for the third design honoring Abraham Lincoln's professional life in Illinois.

#### 2009 District of Columbia and U.S. Territories Quarter Program

On July 31, 2008, the Secretary of the Treasury approved the five reverse designs honoring the District of Columbia, Commonwealth of Puerto Rico, Guam, American Samoa, U.S. Virgin Islands and Commonwealth of the Northern Mariana Islands.

#### 2009 American Eagle Platinum Design Process

The candidate designs for the reverse representing the theme, *To Form a More Perfect Union*, were presented to the U.S. Commission of Fine Arts (CFA) in July and the Citizens Coinage Advisory Committee (CCAC) in August. The design is the first in a new six-year series that explores the core concepts of American democracy by highlighting the United States Constitution Preamble. The design was approved by the Secretary of the Treasury on September 11, 2008.

#### President George W. Bush 2<sup>nd</sup> Term Medal

The designs for the medal honoring the second term of President George W. Bush were presented to the CCAC in September 2008 and scheduled for presentation to the CFA in October 2008.

### **New Operational Program Updates**

#### 2009 Abraham Lincoln Bicentennial One-Cent Program

The Secretary of the Treasury will mint and issue numismatic one-cent coins in 2009 with the exact metallic content as contained in the 1909 coin (95 percent copper, 5 percent tin and zinc). Numismatic coins will be those coins with a proof or uncirculated finish, and will be offered for sale in sets, i.e. proof set, uncirculated set, special one-cent coin sets. These numismatic versions will not be sold separately.

#### The District of Columbia and United States Territories Quarter Program

These coins will be issued for circulation in quantities to meet the needs of the United States—both for commerce and for collectors. In addition, the Secretary has the authority to mint and issue uncirculated and proof coins, as well as a 90 percent silver version of each coin. It is planned that the United States Mint will produce a special six-coin silver quarter-dollar set for this program, as well as include silver versions of these coins in the annual silver proof set (dime and half-dollar are also in 90 percent), as it did for the 50 State Quarters Program.

#### 2009 Ultra High Relief Double Eagle Gold Coin Program

Next year, the United States Mint will issue the 2009 Ultra High Relief Double Eagle Gold Coin. Using 21st century technology original coin plasters were digitally mapped by the United States Mint. Using the digital design and die-making process, the original — in ultra high relief — was updated to reflect the year 2009, an additional four stars added to represent the current 50 states and the inscription "In God We



## **Update on Activities**

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Trust” added. A small border was added for a more consistent edge. The 2009 coin will be made of 24-karat gold.

### **Legislative Update**

#### Alternative Materials For Circulating Coins

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 in the U.S. Senate as S. 1986, “The Coinage Materials Modernization Act of 2007.” H.R. 3330 assigns the responsibility for determining the metal content of all circulating coinage to the Secretary of the Treasury. This is the approach recommended by the Department of the Treasury to 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.

The Department of the Treasury is requesting the ability to determine the metal content of the Nation’s coinage because it would ultimately result in significant taxpayer savings by providing the Department with the flexibility to respond to changing market conditions through an open, fair and deliberative process.

The United States House of Representatives passed, by voice vote, a different approach to the problem, H.R. 5512. The Director of the United States Mint wrote to Chairman Barney Frank stating that “...provisions of the bill are too prescriptive and limiting to allow for the successful implementation of the Act without severely jeopardizing significant and lasting cost savings for the American taxpayer.”

H.R. 5512 has been referred to the Senate Committee on Banking, Housing and Urban Affairs. The United States Mint continues to discuss the benefits of S. 1986 with the Committee and asking for consideration of the legislation during the 110<sup>th</sup> Congress.

#### Congressional Gold Medals

On September 30, 2008, the United States Congress passed and cleared for the White House H.R. 4544, Code Talkers Recognition Act of 2008, to recognize the dedication and valor of Native American Code Talkers.

#### Legislation Approved to Authorize a Commemorative Coin for 2010

On June 18, 2008, the United States Congress passed H.R. 634, the American Veterans Disabled for Life Commemorative Coin Act (P.L. 110-277), which the President signed into law on July 17, 2008. It included a revision suggested by the United States Mint to improve the designs that can be considered for commemorative coins.

#### Legislation for Boy Scouts of America

On September 27, 2008, the United States Congress passed H.R. 5872, Boy Scouts for America Centennial Commemorative Coin Act, which was cleared for the White House and presented to the President for signature on September 30, 2008.

#### Legislation Approved to Authorize a Commemorative Coin for 2012

On September 27, 2008, the United States Congress passed H.R. 3229, the National Infantry Museum and Soldier Center Commemorative Coin Act, which was cleared for the White House and presented to the President for signature on September 30, 2008.