



UNITED STATES MINT

Report to Congress on Operations

For the Period from April 1 through June 30, 2004
Third Quarter FY 2004

Summary



The Louisiana Purchase/Peace Medal Nickel and Keelboat Nickel.

In the Conference Report to Public Law 104-52, enacted November 19, 1995, which 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.

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- ?? Third quarter FY 2003 revenues: Circulating Coins: \$319 million, which is a nine percent increase from second quarter. Numismatic Products: \$142 million, which is a 390 percent increase from second quarter. Bullion Coins: \$82 million, which is 33% decrease from second quarter.
- ?? The United States Mint is producing the second 5-cent coin (nickel) in the Westward Journey Nickel Series? .
- ?? Commemorative quarter-dollar coins for Florida and Texas were launched.
- ?? The United States Mint won two Coin of the Year Awards.
- ?? More than 358,650 visitors clicked onto H.I.P. Pocket Change, our educational website at www.usmint.gov/kids.
- ?? The United States Mint at Philadelphia earned twenty "Excellence in Government" awards.
- ?? The United States Mint's safety record continues to improve.

OTHER HIGHLIGHTS

The United States Mint's year-to-date revenues from licensing agreements total \$36.2 million./ Treasury Secretary Snow is reviewing candidate designs for the Brown v. Board of Education and Jackie Robinson Congressional Gold Medal. / The Lewis & Clark Bicentennial Silver Dollar was launched./ The United States Mint's activities were addressed in two reports issued by the General Accounting Office (GAO) and are being reviewed in three ongoing studies.



The Florida and Texas commemorative quarter-dollars.

State Of The United States Mint

The United States Mint's primary responsibilities are:

- ?? Producing an adequate volume of circulating coins for the United States to conduct its trade and commerce, and distributing these coins to the Federal Reserve.
- ?? Manufacturing, marketing and selling proof and uncirculated coins, commemorative coins and medals to the general public. These products are known as numismatic products.
- ?? Manufacturing, marketing and selling gold, silver and platinum bullion coins through the American Eagle Bullion Program. The value of American Eagle Bullion Coins generally depends upon their weight in specific precious metals. (By contrast, the numismatic value of other types of coins generally depends upon factors such as mintage, rarity, condition and age.) American Eagle Bullion Coins provide investors with a simple and tangible means to own precious metals. These products -- which are not sold directly to the general public by the United States Mint -- are available through precious metal dealers, coin dealers, brokerage companies and participating banks.
- ?? Safeguarding United States Mint assets and non-Mint assets that are in the Mint's custody, including bullion reserves at the Fort Knox Bullion Depository and elsewhere.

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.

Table #1 QUARTERLY COMPARISON OF REVOLVING FUND REVENUE (Millions of Dollars)			
Product Category	FY 2004 3rd Qtr	FY 2004 2nd Qtr	Change
Circulating	\$319	\$294	+9%
Numismatics	\$142	\$29	+\$390%
Bullion*	\$82	\$123	-33%
TOTAL	\$543	\$446	+22%

Table #2 FISCAL YEAR COMPARISON OF REVOLVING FUND REVENUE (Millions of Dollars)			
Product Category	FY 2004 3rd Qtr	FY 2003 3rd Qtr	Change
Circulating	\$319	\$248	+29%
Numismatics	\$142	\$99	+43%
Bullion*	\$82	\$28	+193%
TOTAL	\$543	\$375	+45%

* Investment versions; proof versions will be included in numismatic sales when offered.

Circulating Coins: The demand for circulating coins by commercial establishments and the general public fluctuates with the United States' economy. To accommodate this variability, the United States Mint and Federal Reserve continually assess their inventories and the demand for circulating coins, and adjust their production, ordering and delivery schedules accordingly.

During the third quarter of FY 2004, the United States Mint shipped about 3.7 billion coins to the Federal Reserve -- up by six percent from last quarter's shipments of 3.5 billion coins. Reflecting this increase, circulating collections for the third quarter of FY 2004 totaled \$319 million -- up by nine percent from \$294 million earned last quarter. (See Table #1.)

This quarter's circulating collections of \$319 million were 29 percent higher than circulating collections from the same quarter of FY 2003, which totaled \$248 million. (See Table #2.)

Because the Federal Reserve's forecasted coin order for next calendar quarter represents a decrease of only 0.3 billion coins over this quarter's order, next quarter's circulating production will likely remain comparable to this quarter's production level.

Numismatic Products: During the third quarter of FY 2004, numismatic revenues totaled \$142 million -- up by 390 percent from last quarter's numismatic revenues of \$29 million. (See Table #1.) This increase reflects the following factors: 1) The third quarter launch of the 2004 American Eagle Gold and Silver Proof Coins, which earned a total of \$35.9 million in revenues. 2) The third quarter launch of the following Recurring Program products: the 2004 United States Mint Proof Set, the United States Mint 50 State Quarters Proof Set and the United States Mint 50 State Quarters Silver Proof Set. These products earned a total of \$39.7 million in revenues. 3) A \$10.5 million increase in commemorative coin revenues that reflected the launch of the popular 2004 Lewis & Clark Bicentennial Silver Dollar and continued steady demand for the Thomas Alva Edison Commemorative Coins. 4) A \$6.6 million increase in licensing revenues from sales of last year's quarters and the Sales and Marketing portion of subletting revenues. 5) A \$20.7 million increase in revenues from new licensing agreements.

This quarter's total of \$142 million in numismatic revenues represents a 43 percent increase over numismatic revenues from the third quarter of last year, which totaled \$99 million. (See Table #2.) This increase was the net result of the following factors: 1) A \$16.9 million increase in revenues from commemorative coins, including the Thomas Alva Edison Commemorative Coin and the launch of the 2004 Lewis & Clark Bicentennial Silver Dollar. (By contrast, no commemorative coins were available during the third quarter of last year); 2) A \$4.3 million increase in revenues from sales of last year's quarters and the Sales and Marketing portion of subletting revenues. 3) A \$20.7 million increase in revenue from new licensing agreements.

During the fourth quarter of FY 2004, numismatic revenues will likely reach about \$100 million. This projection is based upon our expectation for continued strong sales of the 2004 American Eagle Gold and Silver Proof Coins and the 2004 United States Mint Uncirculated Set. Moreover, sales of numismatic products will be augmented by fourth quarter launches of the 2004 United States Mint Silver Proof Set and the 2004 American Eagle Gold and Silver Proof Coins.

Bullion: Coins: During the third quarter of FY 2004, bullion revenues totaled \$82 million -- down by 33 percent from last quarter's revenues of \$123 million. (See Table #1.) This decrease reflects a decline in precious metals prices coupled with a decline in sales to investors because of good economic conditions.

This quarter's \$82 million in bullion revenues represents a 193 percent increase over the \$28 million in revenues earned during the third quarter of FY 2003. (See Table #2.) It should be noted, however, that this quarter's bullion sales compare particularly favorably with revenues from the third quarter of FY 2003 largely because bullion sales dipped during the third quarter of last year. (Last year's dip followed a surge in bullion sales that accompanied the start of the war in Iraq.) Nevertheless, year-to-date sales of bullion for FY 2004, which already total 467,000 ounces, exceed bullion sales for FY 2003, which totaled 462,000 ounces.

By the end of the fourth quarter of FY 2004, sales of bullion for FY 2004 will likely total 550,000 ounces.

The 5-Cent Coin (Nickel)

2004-Dated Nickels: On June 14, 2004, the United States Mint at Philadelphia and Denver began producing the keelboat nickel, which is the second nickel of The Westward Journey Nickel Series™. The keelboat nickel will be released to the public on August 2, 2004.

2005-Dated Nickels: The United States Mint will release two Westward Journey Nickel Series coins in 2005. A total of 147 proposed designs for the obverse (heads) sides and reverse (tails) sides of these nickels were submitted to the United States Mint from participants in the Artistic Infusion Program and the United States Mint's sculptors/engravers. During the third quarter of FY 2004, final candidate designs for 2005-dated nickels were reviewed by the Citizens Coinage Advisory Committee (CCAC) and the Commission of Fine Arts, and then a proposal is submitted to Treasury Secretary Snow for approval.

50 State Quarters® Program

Florida: Deputy Secretary of the Treasury Samuel Bodman, Director of the United States Mint Henrietta Holsman Fore, Governor Jeb Bush and NASA Administrator Sean O'Keefe launched the Florida commemorative quarter-dollar in a ceremony held on April 7, 2004, at the Kennedy Space Center.

The Florida quarter was the second quarter released during calendar year 2004, and the 27th quarter released in the 50 State Quarters Program. The design of the Florida quarter features a space shuttle, a 16th-century Spanish galleon, the inscription "Gateway to Discovery" and a strip of land with sabal palm trees.

About 2,500 children and adults attended the Florida launch event. These attendees enjoyed entertainment from the Florida A&M University marching band and exchanged about \$37,000 worth of quarters.

Texas: Director Fore, Texas Governor Rick Perry and Austin Mayor Will Wynn launched the Texas commemorative quarter-dollar in a ceremony held on June 10, 2004, at the Bob Bullock Texas State History Museum in Austin.

The Texas quarter was the third quarter released during calendar year 2004, and the 28th quarter released in the 50 State Quarters Program. Selected from over 2,600 candidate designs, the design of the Texas quarter features the inscription "Lone Star State" and the distinctive outline of the State with a superimposed star. A lariat encircling the design symbolizes Texas's cattle and cowboy history and frontier spirit.

The launch of the Texas quarter was a larger-than-life celebration complete with mariachis and barbecue. Attendees exchanged \$47,000 worth of quarters with local celebrities who handed out new quarters.

2005 State Quarter Designs: During calendar year 2005, commemorative quarter-dollar coins will be released for the following states:

✍ **California and West Virginia:** During the third quarter of FY 2004, Secretary Snow approved design candidates for the California and West Virginia quarters. Each state will make a final recommendation for the design of its respective quarter from its approved design candidates.

✍ **Kansas, Minnesota and Oregon:** During the third quarter of FY 2004, final design recommendations for the Kansas, Minnesota and Oregon quarters were submitted to Treasury Secretary Snow for approval.

2006 State Quarter Designs: During calendar year 2006, state quarters will be released for Nevada, Nebraska, Colorado, North Dakota and South Dakota. By September 30, 2004, each state will submit three to five narratives of design concepts that will be fashioned into original artwork by the United States Mint.

United States Mint Receives Two Coin of the Year Awards

The 2002 United States Military Academy Bicentennial Commemorative Coin received the Best Crown Award and the 2002 Ohio Commemorative Quarter-Dollar received the Most Historically Significant Coin Award in the 2004 Coin of the Year (COTY) competition. Sponsored by *World Coin News*, the COTY Awards -- which recognize mints around the world for excellence in craftsmanship, practicality and general coin appeal -- are among the world's most prestigious coin awards. (Because of the comprehensive nature of the selection process for COTY awards, these awards are routinely given to coins that were issued two years previously.)

The United States Mint Education Initiative (MEI)

The United States Mint's educational website is called the United States Mint H.I.P. Pocket Change™; its address is www.usmint.gov/kids. During the third quarter of FY 2004, more than 358,650 visitors clicked onto H.I.P. Pocket Change. This figure represents a 17 percent increase from the third quarter of FY 2003.

During the third quarter of FY 2004, various types of new, free electronic educational materials were added to H.I.P. Pocket Change, including information celebrating the United States Mint's 212th anniversary, Financial Literacy Month, National Coin Week and the Westward Journey Nickel Series. Information about the Westward Journey Nickel Series has already been downloaded more than 22,000 times.

United States Mint at Philadelphia Earns Excellence in Government Awards

Federal Executive Boards (FEB) in many cities present "Excellence in Government" awards to outstanding Federal staffers in their geographic areas. On May 6, 2004, during Public Service Recognition Week, twenty staffers of the United States Mint at Philadelphia -- competing against more than 300 nominees -- were honored by the FEB. They include two Minters who placed as Gold Medal finalists, two Minters who won Bronze Medal winners, eleven Minters who won Community Service Awards and five Minters who won Improved Federal Image Awards.

Other Highlights

Licensing

The United States Mint's Office of Licensing protects the integrity and image of the United States Mint's intellectual property. The Office of Licensing works with the Office of the Chief Counsel to monitor compliance with the United States Mint's licensing agreements and address infringement of the United States Mint's intellectual property. The year-to-date revenues of the United States Mint's licensing activities for FY 2004 total \$36.2 million.

The United States Mint's current licensees include: 1) Wonderland Marketing, which is preparing to distribute new products that incorporate 50 State Quarters coins, the 50 State Quarters logo and Greetings from America stamp images; 2) Peak Capital Group, which is preparing to distribute various products, including albums that will hold 50 State Quarters coins; and 3) H.E. Harris, which produces various coin collecting products.

During the third quarter of FY 2004, the United States Mint signed a new licensing agreement with Fuller Fine Jewelry to market coin jewelry. In addition, two more licensing agreements are pending final review by licensees.

New Medals and Commemorative Coins

Lewis & Clark Bicentennial Silver Dollar: This silver dollar, which commemorates the bicentennial of the Lewis & Clark expedition, was released on May 12, 2004, in St. Louis, Missouri. This coin's obverse (heads) side features an image of Lewis and Clark on a stream bank, planning their travel. This coin's reverse (tails) side features a peace medal presented to American Indian Nations by Lewis and Clark, 19 stars representing the number of states in the Union at that time, and two feathers representing American Indians.

A surcharge on sales of the Lewis & Clark Bicentennial Silver Dollar will benefit the National Lewis & Clark Bicentennial Council and the National Park Service for activities marking the bicentennial of the Lewis and Clark expedition.

The Lewis & Clark Bicentennial Silver Dollar is featured in the following four products:

- 1) An uncirculated Lewis & Clark Bicentennial Silver Dollar;
- 2) A proof Lewis & Clark Bicentennial Silver Dollar;
- 3) The Lewis and Clark Coin and Pouch Set; and
- 4) The Lewis and Clark Coinage and Currency Set

Brown v. Board of Education Congressional Gold Medal: A Congressional Gold Medal will be posthumously awarded to Reverend Joseph A. DeLaine, Harry and Eliza Briggs, and Levi Pearson, in recognition of their extraordinary efforts to desegregate the Nation's public schools. These efforts led to the landmark desegregation case of *Brown v. Board of Education*. During the third quarter of FY 2004, final design concepts for this medal's obverse and reverse were selected and prepared for review by Treasury Secretary Snow.

Jackie Robinson Congressional Gold Medal: A Congressional Gold Medal will be posthumously awarded to the renowned baseball player and community leader, Jackie Robinson. During the third quarter of FY 2004, final design concepts for this medal's obverse and reverse were selected and prepared for review by Treasury Secretary Snow.

Third Quarter Audits and Reviews

During the third quarter of FY 2004, the United States Mint's activities were addressed by:

- ✍ A report issued by the General Accounting Office (GAO) entitled, *Coins and Currency -- How the Costs and Earnings Associated with Producing Coins and Currency are Budgeted and Accounted For*. The report covered the following: 1) Differences between the United States Mint's methods for producing coins and the Bureau of Engraving and Printing's methods for producing paper currency; 2) Operational problems identified in Congressional hearings, Treasury Office of Inspector General audits and other reports; 3) Progress made by the United States Mint in solving some of these problems; and 4) A recommendation that the United States Mint regularly report its usage of retained earnings. To implement this recommendation, the United States Mint reported its usage of retained earnings in its Public Enterprise Fund (PEF) report for the first quarter of FY 2004, and will continue to report retained earnings in the United States Mint's annual reports.
- ✍ A draft GAO report entitled, *Selected Agencies' Use of Alternative Service Delivery (ASD) for Accomplishing Human Capital Activities*. The draft report reviewed the types of ASD options that are being used by selected Agencies including the United States Mint, their rationales for using ASD, how ASD initiatives are managed, and lessons learned from using ASD. The United States Mint responded to this report by submitting general comments about its experiences with ASD.

The United States Mint's activities are being addressed by the following ongoing studies:

- ✍ An ongoing GAO review, which began in June 2004, of the uses and security/privacy safeguards of Federal data mining systems. GAO is considering including in this review a case study of the United States Mint's E-Commerce Fraud Analysis Activity data mining that would describe the system's documentation and safeguards for protecting the system's data and the privacy of individuals potentially impacted by data mining efforts.
- ✍ An ongoing Treasury Office of Inspector General (OIG) audit of the United States Mint's competitive sourcing study of circulating blanking, annealing and upsetting activities. This audit, which began in January 2004, will determine whether the United States Mint followed its procurement policy and sound business practices in the following areas: 1) Developing the study's scope of work; 2) Selecting the study's support contractor; and 3) Overseeing the selected contractor's performance.
- ✍ An ongoing Treasury OIG audit of the Treasury Department's computer security incident response capability. This study, which began in March 2004, is being conducted under the Federal Information Security Management Act of 2002. In addition to covering the activities of the United States Mint, this

audit will cover the activities of the Treasury Department's departmental offices, the Financial Management Service and the Bureau of Engraving and Printing.

On May 27, 2004, the Treasury OIG suspended its review of "the number, type, purpose and dollar value of Department of Treasury contracts for fiscal years 2003 and 2004." This review, which began in November 2003, was suspended because of OIG's other mandated and priority commitments.

Safety

The United States Mint has steadily reduced its Lost Time Accident (LTA) rate since 2000. (The LTA rate represents the number of lost time accidents that occur per 200,000 work hours.) Our year-to-date LTA rate for the third quarter of FY 2004 was 1.24. (See chart.)

We remain committed to meeting our goal, as defined in the United States Mint's 2002-07 Strategic Plan, of reducing our LTA rate to .62 by 2007. To achieve this goal and to accelerate our rate of safety progress -- which has leveled off during the last four quarters -- we are expanding our focus from measuring injuries to also measuring safety performance. We believe that this expanded focus will help prevent accidents that cause injuries.

As part of this expanded focus, during the third quarter of FY 2004, we accomplished the following:

- ~~///~~ Initiated at four United States Mint facilities an employee-based safety improvement program that focuses on preventing unsafe actions that lead to injuries.
- ~~///~~ Continued to eliminate from all United States Mint facilities unsafe conditions that were documented in compliance audits conducted earlier this year.
- ~~///~~ Managed safety consultants as they reviewed and consolidated the safety programs of all six United States Mint facilities, and finalized preparations to deliver training on a unified safety program on a site-by-site basis.

