CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE

October 31, 1997

S. 1228
50 States Commemorative Coin Program Act

As ordered reported by the Senate Committee on Banking, Housing, and Urban Affairs on October 23, 1997

SUMMARY

S. 1228 would require the U.S. Mint to make changes to the quarter-dollar and one-dollar coins and to issue three coins commemorating the 100th anniversary of the first flight at Kitty Hawk, North Carolina. CBO estimates that enacting this bill would decrease direct spending by $15 million over the 1998-2002 period and by $40 million over the 1998-2007 period. Because the bill would affect direct spending, pay-as-you-go procedures would apply. S. 1228 contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act of 1995 (UMRA) and would not affect the budgets of state, local, or tribal governments.

DESCRIPTION OF THE BILL'S MAJOR PROVISIONS

S. 1228 would direct the Secretary of the Treasury to design and issue a series of quarters commemorating the 50 states over a 10-year period beginning in 1999. During this period, designs for each state would replace the current eagle design on the reverse side of the George Washington quarter. The Mint would issue five quarters a year in the order that the states ratified the Constitution or were admitted into the Union. Before selecting an emblem for each state, the Secretary of the Treasury would consult with the state's governor and with the federal Commission of Fine Arts (CFA) and would submit the selected design for review by the Citizens Commemorative Coin Advisory Committee (CCCAC). The bill would authorize the Mint to sell silver replicas of the quarters—both in proof and uncirculated versions.

S. 1228 also would permanently replace the current Susan B. Anthony one-dollar coin with a new dollar coin. Under the bill, the Mint could produce additional quantities of the Susan B. Anthony, if needed, until the new coin was ready for circulation. (The Mint predicts that public demand will exhaust its current inventory of approximately 130 million coins in about 30 months.) The new one-dollar coin would be golden in color and have distinctive tactile and visual features but would have the same diameter and weight as the current coin. In consultation with the Congress, the Secretary of the Treasury would select the designs for both sides of the coin. The bill also would direct the Treasury to market the coin to the American public before placing it into circulation and to study and report to the Congress on the results of its efforts. In addition, the Mint would have the authority to include quantities of the new coin in collector sets sold to the public prior to its introduction into circulation. Unlike previous proposals to introduce a new dollar coin, S. 1228 would not eliminate the one-dollar bill.

Finally, S. 1228 would direct the U.S. Mint to produce a ten-dollar gold coin, a one-dollar silver coin, and a half-dollar clad coin in fiscal years 2003 and 2004 commemorating the 100th anniversary of the first flight of Orville and Wilbur Wright at Kitty Hawk, North Carolina. In selecting a design for each coin, the Secretary of the Treasury would consult with the Board of Directors of the First Flight Foundation and the CFA and submit the designs for review by the CCCAC. The coins would be available for sale from August 1, 2003, through July 31, 2004. The price of each coin would equal the sum of its face value, the amount of the surcharge set for it by the bill, and the costs of the Mint to produce it. The bill would set a surcharge of $35 per coin for the ten-dollar coin, $10 per coin for the one-dollar coin, and $1 per coin for the half-dollar coin. S. 1228 would require the Mint to transfer all proceeds from surcharges to the First Flight Foundation.

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary impact of S. 1228 is shown in the following table. The costs of this legislation fall within budget function 800 (general government).

In addition to the budgetary effects summarized in the table, by increasing the public's holding of coins, S. 1228 also would result in the government acquiring additional resources for financing the federal deficit. The seigniorage (or profit, the difference between the face value of coins and their cost of production) from placing the additional coins in circulation would reduce the amount of government borrowing from the public. Under the principles established by the President's Commission on Budget Concepts in 1967, seigniorage does not affect the deficit but is treated as a means of financing the deficit.

	By Fiscal Year, in Millions of Dollars				
	1998	1999	2000	2001	2002
CHANGES IN DIRECT SPENDING					
50 States Quarter Program					
Estimated Budget Authority	0	-8	-5	-5	-5
Estimated Outlays	0	-8	-5	-5	-5
New One-Dollar Coin					
Estimated Budget Authority	1	3	3	1	0
Estimated Outlays	1	3	3	1	0
Net Change in Direct Spending Under S. 1228					
Estimated Budget Authority	1	-5	-2	-4	-5
Estimated Outlays	1	-5	-2	-4	-5

a. The table only includes provisions that would change direct spending in fiscal years 1998 through 2002. S. 1228 also includes a provision that would authorize the Mint to issue three commemorative coins during fiscal years 2003 and 2004.

BASIS OF ESTIMATE

Direct Spending

50 States Circulating Commemorative Quarter Program. Beginning in 1999, S. 1228 would authorize the Mint to sell silver replicas of the redesigned 50 states quarters—both in proof and uncirculated varieties. CBO estimates that enacting this provision would decrease direct spending by $23 million over the 1998-2002 period and by $48 million over the 1998-2007 period.

CBO assumes the Mint would sell a five-coin proof set at a price of around $30, which would cover the full cost of the set and provide it with a margin of profit consistent with past silver proof sets. We also assume the Mint would sell each uncirculated silver quarter at a price equal to the spot price of silver plus a markup of 3 percent. Because the silver replicas would be sold as a commercial product, the receipts would constitute offsetting collections to the Mint. Based on information provided by the Mint, including historical sales and profit data for past silver proof and uncirculated designs, CBO estimates that the sale of the silver replicas would increase offsetting collections to the Mint by about $10 million each year for a total of $40 million over the 1999-2002 period. This estimate assumes that, on average, the Mint would sell about 1 million five-coin proof sets each year, which would generate the $10 million in profits. CBO expects that the profits earned in any one year from selling uncirculated versions of the quarters would not be significant.

Public Law 104-52, which established the U.S. Mint Public Enterprise Fund, requires the Mint to transfer any excess funds to the general fund of the Treasury at least annually. For the purposes of this estimate, CBO assumes that the Mint would retain about one-half of the $10 million in increased offsetting collections generated from annual sales of the silver replicas. We estimate that about half of the amount retained would be spent in the same fiscal year, with the other half spent in the following fiscal year. In total, net direct spending would decrease by between $20 million and $25 million over the 1998-2002 period, or by about one-half of the increase in offsetting collections to the Mint.

New One-Dollar Coin. S. 1228 would replace the current Susan B. Anthony one-dollar coin with a new one-dollar coin. The bill would authorize the Mint to produce quantities of the Susan B. Anthony, as needed, until the new coin was ready for circulation. (The Mint has not produced any new Susan B. Anthony coins since 1981.) According to the Mint, it would need at least 30 months to design, test, and produce a new one-dollar coin for circulation. Thus, assuming this bill is enacted within the next several months, CBO expects that the new coin would not begin circulating before sometime in fiscal year 2000. CBO estimates that producing a new one-dollar coin would increase direct spending by between $5 million and $10 million over the 1998-2002 period.

Previously, the Mint has estimated costs of about $93 million to purchase the necessary infrastructure and materials and to design and promote a new one-dollar coin. That estimate, however, assumed that the one-dollar bill would be eliminated, and that the Mint would produce an initial supply of approximately 9 billion coins to meet the public's demand for one-dollar currency. Under S. 1228, CBO expects the public's annual demand for one-dollar coins would approximate the roughly 50 million Susan B. Anthony coins currently added to the nation's circulation of coins each year. Thus, based on information provided by the Mint, CBO estimates start-up costs under this bill of between $5 million and $10 million. That estimate includes the costs to research, design, and test the new coin and to market it to the public. CBO estimates the Mint would also incur costs of less than $500,000 in fiscal year 2001 to study the effects of the marketing program and report its results to the Congress by March 31, 2001.

S. 1228 also would authorize the Mint to include the redesigned dollar coin in coin sets sold as commercial products to the public. The Mint currently offers a five-coin proof set, a five-coin silver proof set, and a 10-coin uncirculated set. Adding a redesigned dollar coin to one or all of these sets could increase offsetting collections to the U.S. Mint Public Enterprise Fund if its addition increases collectors' interest in the sets. It is uncertain whether the Mint would add a redesigned dollar coin to each of these sets. Given the addition of the commercial items that would be included under the 50 states quarter program, as well as the Mint's recent introduction of platinum coins and its expected first-time issue of .9999 fine gold coin sets, CBO estimates that even if the Mint does include the new dollar coin, any increase in net offsetting collections from the sale of all commercial products would be small—as much as several million dollars in the first two years—and largely one-time. In addition, CBO estimates that the Mint would retain and spend any additional collections, resulting in no net budgetary effect over time.

Commemorative Coins. S. 1228 would direct the Mint to produce and issue three coins commemorating the 100th anniversary of the first flight at Kitty Hawk, North Carolina. Because the coins would not become available until 2003, the provision would have no budgetary impact over the next five years. CBO estimates that the provision would have no net budgetary effect over the 1998-2007 period. The bill could raise as much as $9.25 million in surcharges if the Mint sold the maximum mintage level authorized for each coin, although the experience of recent anniversary-based commemoratives suggests that sales would be less than the authorized total of 1.35 million coins. Because the bill would require that the Mint transfer all surcharges to the First Flight Foundation, a nonfederal entity, proceeds from surcharges would have no net budgetary impact over time. We expect that the Mint would retain and spend any additional net proceeds generated from such sales to fund other commercial activities.

Seigniorage

In addition to the bill's effects on direct spending, by increasing the public's holding of quarters, S. 1228 also would result in the government acquiring additional resources for financing the federal deficit. Based on the previous experience of both the United States, with the bicentennial quarter in 1975 and 1976, and Canada, with its series of quarters commemorating its 12 provinces and territories in 1992, CBO expects that enacting the bill would lead to a greater production of quarters. The seigniorage, or profit, from placing the additional coins in circulation would reduce the amount of government borrowing from the public. Such profits are likely to be very significant—the Mint estimates that the seigniorage from making a quarter is 20.2 cents, so for each additional $100 million worth of quarters put into circulation each year for 10 years, the amount of seigniorage earned by the federal government would increase by about $808 million over the ten-year period.

By substituting a new dollar coin for the current Susan B. Anthony, the legislation could also affect the seigniorage earned—estimated at 92 cents per coin—from circulating one-dollar coins. That increase would occur only to the extent that the public demanded more one-dollar coins than under current law. (According to the Mint, the federal government currently is increasing the amount of Susan B. Anthony dollars placed in circulation by about 50 million coins each year.) Because S. 1228 would not eliminate the one-dollar bill, CBO expects that any increase in circulation of the one-dollar coin would not be significant.

Previously, CBO has done estimates for proposals that would replace the one-dollar bill with a new one-dollar coin. S. 1228 would not remove the one-dollar bill from circulation. Consequently, the savings in the production and handling of the nation's currency and the changes in seigniorage previously estimated by CBO would not apply to S. 1228.

PAY-AS-YOU-GO CONSIDERATIONS

The Balanced Budget and Emergency Deficit Control Act of 1985 specifies procedures for legislation affecting direct spending or receipts. The projected changes in direct spending are shown in the following table for fiscal years 1998 through 2007. For purposes of enforcing pay-as-you-go procedures, however, only the effects in the budget year and the succeeding four years are counted.

Summary of Effects on Direct Spending and Receipts

	By Fiscal Year, in Millions of Dollars									
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Changes in outlays	1	-5	-2	-4	-5	-5	-5	-5	-5	-5
Changes in receipts	Not applicable									

ESTIMATED IMPACT ON STATE, LOCAL, AND TRIBAL GOVERNMENTS

S. 1228 contains no intergovernmental mandates as defined in UMRA and would not affect the budgets of state, local, or tribal governments.

ESTIMATED IMPACT ON THE PRIVATE SECTOR

S. 1228 contains no private-sector mandates as defined in UMRA. However, some private-sector entities would incur costs as a result of provisions in the bill to issue a new dollar coin. Vending machine operators who choose to accept the new coin, for example, would be required to modify their machines because the electromagnetic properties of the new gold-colored dollar coin would be different from those of the Susan B. Anthony dollar (which many machines are currently equipped to accept). Costs of modification would be reduced if the new coins were used with some regularity and operators were able to eliminate bill acceptors from most vending machines. In addition, to the extent that the dollar coin circulates even modestly, depository institutions would incur some additional expenses because they bear a substantial share of processing costs for all circulating coinage. Other entities, such as mass transit authorities, would experience lower costs because coins can be collected and processed at a cost that is significantly lower than notes. Mass transit authorities, however, are generally publicly operated and therefore not included in the private sector. Nevertheless, because no provision in federal law requires any person or organization to accept a specific form of payment, including the proposed new dollar coin, S. 1228 contains no private-sector mandates as defined in UMRA.

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