CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE

April 12, 2005

H.R. 902
Presidential $1 Coin Act of 2005

As ordered reported by the House Committee on Financial Services on March 16, 2005

SUMMARY

H.R. 902 would authorize the U.S. Mint to create a new $1 coin and an investment-grade gold bullion coin as well as redesign the 1 cent coin. CBO estimates that enacting this bill would decrease direct spending by $6 million over the 2006-2015 period. Enacting the bill would not affect revenues. H.R. 902 contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act (UMRA) and would not affect the budgets of state, local, or tribal governments.

MAJOR PROVISIONS

Beginning in 2007, H.R. 902 would direct the Treasury to create a series of $1 coins commemorating all former U.S. Presidents. The coins would have an image of a former President and the reverse would feature an image of the Statue of Liberty. Under the bill, the Mint could continue to issue Sacagawea dollar coins (Golden Dollar). The Mint would issue four different $1 coins a year in the order of the period of service of each President starting with George Washington. The bill would authorize the Mint to sell $1 proof coins and uncirculated versions. H.R. 902 would not terminate production of the $1 bill and would not affect the circulation of any of the current $1 coins.

In addition, H.R. 902 would direct the U.S. Mint to produce a gold bullion coin honoring the spouses of former Presidents. The new gold bullion coins would be produced in sequence with the $1 Presidential coins. In addition, the bill would authorize the Mint to sell bronze copies of the gold bullion coin.

H.R. 902 also would also authorize the U.S. Mint to make changes to the design of the 1 cent coin. For calendar year 2009, four circulating and one copper penny would be issued to commemorate the bicentennial anniversary of the birth of Abraham Lincoln. Beginning in calendar year 2010 the reverse side of the penny would bear an emblematic image of Lincoln's preservation of the United States as a single united country.

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary impact of H.R. 902 is shown in the following table. The costs of this legislation fall within budget function 800 (general government).

	By Fiscal Year, in Millions of Dollars									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
CHANGES IN DIRECT SPENDING										
Production of Presidential $1 Coin										
Estimated Budget Authority	2	1	*	*	*	*	*	*	*	*
Estimated Outlays	2	1	*	*	*	*	*	*	*	*
Net Sales of First-Spouse Gold Bullion Coin										
Estimated Budget Authority	0	*	-1	-1	-1	-1	-1	-1	-1	-1
Estimated Outlays	0	*	-1	-1	-1	-1	-1	-1	-1	-1
Production of Abraham Lincoln Bicentennial 1 Cent Coin										
Estimated Budget Authority	0	*	0	0	0	0	0	0	0	0
Estimated Outlays	0	*	0	0	0	0	0	0	0	0
Net Changes in Direct Spending Under H.R. 902										
Estimated Budget Authority	2	*	-1	-1	-1	-1	-1	-1	-1	-1
Estimated Outlays	2	*	-1	-1	-1	-1	-1	-1	-1	-1

NOTE: * = less than $500,000.

In addition to the budgetary effects summarized in the table, by increasing the value of coins held by the public, H.R. 902 also would provide the government with additional resources for financing the federal deficit. Seigniorage (or profit)—the difference between the face value of the coins and the cost of production—reduces the amount the government would otherwise need to borrow from the public to finance the federal budget deficit. CBO estimates that seigniorage resulting from the value of additional coins in circulation under the bill would amount to about $280 million over the 2006-2015 period. Under the principles established by the President's 1967 Commission on Budget Concepts, seigniorage does not directly affect the budget but is treated as a means of financing the deficit.

BASIS OF ESTIMATE

Direct Spending

Presidential $1 Coin Program. H.R. 902 would create a series of $1 coins commemorating all former U.S. Presidents. The Presidential coin would have distinctive tactile and visual features on the edge of the coin. The bill would allow the Mint to continue to issue the Golden Dollar. According to the Mint, it would need at least 18 months to design, test, and produce a new $1 Presidential coin for circulation. Thus, assuming this bill is enacted by the end of fiscal year 2005, CBO expects that the first two new coins would begin circulating by the middle of fiscal year 2007. CBO estimates start-up costs for producing a new $1 coin would increase direct spending by about $3 million over the 2006-2007 period, based on the experience of prior new issues by the Mint.

With the development of a $1 Presidential coin, there would be three $1 coins in circulation, including the Susan B. Anthony and the Golden Dollar. Based on information from the Mint, CBO would not expect the Treasury would remove any of these existing coins from circulation, and such a change by the Mint would not be done without explicit Congressional authorization.

H.R. 902 would authorize the Mint to include the new $1 coin in collector coin sets sold to the public. Adding four new $1 coins to the Mint's current sets could increase offsetting collections to the U.S. Mint Public Enterprise Fund if the new coins increase collectors' interest in the sets. However, CBO estimates that any increase in offsetting collections from the sale of commercial products would be small and primarily of a one-time nature over the first two years of the program. In addition, CBO estimates that the Mint would retain and spend any additional collections, resulting in a negligible net budgetary effect over the next 10 years.

First-Spouse Bullion Coin. H.R. 902 would direct the Mint to produce a gold bullion coin for investors, honoring the spouses of former Presidents. The new gold bullion coin would be produced in the same sequence as the $1 Presidential coins. The bullion coin would feature an image of the spouse of the former President and the reverse would feature an image of her life and work. CBO expects that the first gold bullion coins would be ready at the same time as the $1 Presidential coin.

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. Based on information from the Mint and the numismatic community, CBO expects that the First-Spouse gold bullion coin would generate sales similar to recent commemorative coins. In addition, the Mint could sell bronze duplicates to the public; however, based on the sales of previous duplicates, we do not expect that those sales would be large. CBO estimates that the Mint would produce about 10,000 gold bullion coins annually generating about $1 million a year in excess funds that would be recorded in the budget as offsetting receipts.

Abraham Lincoln Bicentennial 1 Cent Coins. H.R. 902 would authorize the U.S. Mint to change the design of the current 1 cent coin beginning in calendar year 2009 to celebrate the 200th anniversary of the birth of Abraham Lincoln. Four pennies would be issued to reflect the four major periods in Lincoln's life. The legislation also would require the Mint to produce a new copper penny in 2009 with the same metallic content as the 1909 penny (Lincoln cent) in amounts appropriate for the numismatic community.

According to the Mint, it would take approximately six months to design, test, and produce the 1 cent coins for circulation in 2009. CBO estimates that designing and preparing dies for a new 1 cent coins would cost less than $100,000 in 2008. In addition, production of the copper penny would be based on market research and requests. Adding a new 1 cent coin to the Mint's current sets could increase offsetting collections to the U.S. Mint Public Enterprise Fund if the new coin increases collectors' interest in the sets. However, any increase in offsetting collections from the sale of commercial products would be available to the Mint to retain and spend and would have a negligible net budgetary impact over time.

Seigniorage

In addition to the bill's effects on direct spending, by increasing the public's holding of dollar coins, H.R. 902 also would result in additional federal resources for financing the deficit. The seigniorage, or profit, from placing the new coins in circulation would reduce the amount the government would otherwise borrow from the public to finance the deficit. By circulating a new $1 Presidential coin with the current Golden Dollar and Susan B. Anthony coins, the legislation would increase the seigniorage earned if the new $1 coin is more widely circulated. CBO estimates that there would be no significant effect on seigniorage from the new 1 cent coins.

A Government Accountability Office report (GAO-02-896, September 2003) noted that, after a multimillion dollar marketing and advertising campaign, the Golden Dollar, like the Susan B. Anthony $1 coin, has not achieved widespread use. It has increased the public's interest in collecting the $1 coin but is not widely circulating. Barriers to the public's acceptance include the continued circulation of the $1 bill and the commingling of the Susan B. Anthony and Sacagwea dollars in rolls for distribution, which would not be eliminated by H.R. 902.

The Mint's 50 State Quarters program, involving a set of recurring designs commemorating each state, has been credited with generating renewed interest in holding more coins by collectors and the public. The production of quarters increased from 1.7 billion coins in fiscal year 1998 to over 6 billion in fiscal year 2000 when the 50 State Quarters program began. By fiscal year 2004, demand for quarters had fallen to about 2.2 billion quarters. The Mint estimates that the 50 State Quarters program has generated about $4.6 billion in seigniorage since the program began in 1999.

Taking into account the experience of the 50 State Quarters program, information from the numismatic community, and the public's continued resistence to the use of dollar coins, CBO expects that the new $1 Presidential coin would increase the public's interest in collecting coins, but it would continue to face barriers to widespread circulating use. CBO expects that most of the demand for the $1 Presidential coin would be from collectors. According to the Mint, the federal government is currently putting into circulation about 55 million Golden Dollar coins annually, with seigniorage of 80 cents per coin. CBO expects that demand for the new $1 Presidential coin would double the current demand for the dollar coin to about 100 million annually in 2008. After that, we expect that production would decline, following the experience of the 50 State Quarters program. Hence, CBO estimates that replacing the Golden Dollar with the $1 Presidential coin would increase seigniorage by about $280 million over the 2006-2015 period.

INTERGOVERNMENTAL AND PRIVATE-SECTOR IMPACT

H.R. 902 contains no intergovernmental or private-sector mandates as defined in UMRA and would not affect the budgets of state, local, or tribal governments.

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