



**DEPARTMENT OF THE TREASURY
UNITED STATES MINT
WASHINGTON, D.C. 20220**

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**Before the House Financial Services Subcommittee on Domestic and International
Monetary Policy, Trade and Technology**

**“Money Matters: Coin and Currency Design and Counterfeiting Issues”
April 28, 2004**

Chairman King, Congresswoman Maloney, members of the subcommittee, thank you for inviting me here today to discuss some of the recent programs carried out by the women and men of the United States Mint, and to address American coin design. The United States Mint’s mission is to fulfill our Congressionally mandated role as the Nation’s coiner of money and, as we have done since 1792, we will continue to proudly mint and issue, coins, medals and numismatic items that Congress authorizes in legislation.

With the benefit of 212 years of history and experience, the United States Mint of 2004 believes that redesign of America’s coinage sparks interest in our history, culture, values and beliefs as a nation. It also serves to invigorate education, reminding Americans of all ages about significant people, places and events of the past. Most recently, the enormously successful 50 State Quarters[®] Program and the redesign of the nickel, have demonstrated that Americans embrace coin redesign. In the brief time I have with you, I will discuss these successes, as well as H.R. 3916, the Presidential \$1 Coin Act of 2004, our views on the impediments to the circulation of the Golden Dollar, and our efforts to work with the Federal Reserve to better predict coin circulation and demand.

Overview

As we maintain the highest standard of quality for all of our existing products, we proudly remain at the service of the United States Congress and our Nation. We are pleased to implement any coin redesign package that Congress passes and the President approves. We also are poised to perform the necessary research; and therefore, are already working diligently to research, test, and evaluate the manufacturing processes that the United States Mint would implement to execute the proposed coin programs in the most efficient and effective manner, and in a way that imposes the least cost on taxpayers and our customers.

As you know, the resounding success of endeavors like the 50 State Quarters[®] Program is attributable to the collaborative energies and perseverance of the talented people on your staffs, at the Department of the Treasury, at the United States Mint, and those in the coin collecting and distributing community, and in small and large businesses — all of whom share a passion and commitment to the long-term success of such coin redesign programs. Working together, I am confident that we can deliver to the American people the coin programs provided by this bill in a manner that best assures the viability, popularity, and longevity of our efforts to revitalize the design of United States coinage.

Coin Redesign

2004 has heralded in great excitement in coinage redesign.

50 State Quarters[®] Program

With the release of the Michigan State quarter in January of this year, we passed the halfway point of the 50 State Quarters[®] Program that was legislated by Congress in 1997 and began with the Delaware State quarter in 1999. Earlier this month we launched the 27th quarter in the Program on the grounds of the John F. Kennedy Space Center in Florida.

This program has spurred a true renaissance of coin design, and a renewed enthusiasm for coin collecting in America. Our data estimate the number of people collecting the 50 State Quarters[®] Program coins to be in excess of 130 million, or nearly one person in every household. It is the most popular numismatic program in the history of the United States and, at its midpoint, the 50 State Quarters[®] Program is responsible for the United States Mint's depositing more than \$4 billion to the United States Treasury General Fund. Circulating production for the 50 State Quarters[®] Program has ranged from 2.3 billion annual production rate in 2003 to a high of 6.5 billion produced in 2000, with an average annual mintage of 4.3 billion quarters.

The program is successful because of the coins themselves. They are each a work of art, reflective of our American values, a small piece of history you carry in your pocket. And while each state's quarter is unique, popular themes have emerged throughout the series that reinforce this assertion.

Exploration and innovation are themes depicted on the Virginia, North Carolina, Ohio, Missouri, Florida and Iowa quarters. Liberty and independence are predominant on the Delaware, Pennsylvania, New Jersey, Connecticut, Massachusetts, New York and Illinois quarters. The beauty and bounty of the land are celebrated on the quarters of Georgia, South Carolina, Rhode Island, Vermont, Mississippi and Arkansas.

Through this widely collected coin program, we seek to reinforce the bond between education and our Nation's coinage with the United States Mint's education program and its popular United States Mint H.I.P. Pocket Change website. H.I.P., in this case, stands for History In Your Pocket, and it is from this website that teachers and students of all ages have downloaded lesson plans more than 1.5 million times since the start of the 50 State Quarters[®] Program.

Westward Journey Nickel Series[™]

This year we also have delivered to the American public the first newly designed five-cent coin in 66 years. The American 5-Cent Coin Design Continuity Act of 2003 is a celebration of our Nation's enduring spirit of exploration and discovery as it commemorates the bicentennials of the Louisiana Purchase and the Lewis and Clark expedition. Through this coin program, the Nation is remembering or learning about for the first time, one of the most defining periods in America's history. We are telling a story through a series of designs that began earlier this year and will continue through 2005. In 2006, the program is authorized to conclude with obverse and reverse images of Thomas Jefferson and his stately residence, Monticello, although they may be different than the image used immediately before the program began or any of the images used throughout the program.

By commemorating the bicentennials of the Louisiana Purchase and the Lewis and Clark expedition, this legislation has further strengthened the link between the value of American coinage and the value that we, as a society, place on our coinage's symbolism and its continuing role in the education of our citizens. As a result, new nickel lesson plans have been developed and they, too, are being downloaded in homes and classrooms around the Nation. These lesson plans teach geography, history, science, art, culture and arithmetic.

From the time the 2004 new nickel designs were first unveiled in November, Americans have embraced this change to their change. At a recent ceremony to launch the first design of 2004, held beneath the majestic Gateway Arch in St. Louis, Missouri, a nickel exchange resulted in more than one million new nickels being purchased in just two hours.

In August, the United States Mint will release the second new nickel of 2004 and we are confident that the public will receive it with similar enthusiasm. In total, we expect to mint over one billion new nickels in 2004, an increase of 58 percent over 2003 nickel production. This increase reflects the demands of increasing trade and commerce and the interest among numismatic collectors. As with all of our circulating coinage, production of the nickels will be determined by demand, but we are confident that the excitement and support we have seen for this year's nickels will carry over into 2005.

United States Mint Design and Materials Initiatives

The United States Mint has launched the Artistic Infusion Program to enrich and invigorate the designs on United States coins and medals. The United States Mint regards this program as an essential facet of the "renaissance" in coin and medal design. With the assistance of the National Endowment for the Arts, the United States Mint has selected 18 Master Designers from a field of professional artists in the visual arts field, and six Associate Designers from a field of undergraduate and graduate students studying visual arts, to participate in the program. These artists, ranging in age from 20 to 79, include sculptors, engravers, graphic designers, painters and water colorists from Georgia to Utah and from Connecticut to California. Along with the United States Mint sculptor/engravers, they have submitted their first design assignments, creating beautiful and evocative designs for the 2005-dated nickel in the Westward Journey Nickel Series™. Coin design is a fine, ancient art and we look forward to producing new, enduring images that reflect the values of our great Nation -- liberty, democracy, the quest for knowledge, and the bounty of our land.

Similarly, the United States Mint is evaluating the latest techniques and the materials being used to manufacture coins around the world. As you know, the specific composition of all United States circulating coinage, except the dollar coin, is legislated by Congress. So that Congress has the most current information on the various materials that the United States Mint can use to make coins, we have undertaken to renew our commitment to research.

The United States Mint has not comprehensively reviewed coinage materials since World War II. The review was conducted in the 1940s because of wartime shortages in strategic materials. However, since then, every circulating coin's composition has changed at least once. In addition, we are currently faced with metal prices that have risen dramatically over the past year. Since January 2003, the market prices of Zinc, Nickel and Copper have increased by approximately 32 percent, 48 percent and 74 percent, respectively.

The success of our recent coin programs is tied directly to Congress's legislation, which authorizes our work. As I stated earlier, the United States Mint is at your and our Nation's service. We will proudly manufacture those coins, medals and numismatic products authorized through the legislative process.

H.R. 3916, the Presidential \$1 Coin Act of 2004

Now, let me briefly touch upon the piece of legislation to be considered by the Subcommittee later during this hearing--H.R. 3916, "The Presidential \$1 Coin Act of 2004." We applaud the efforts of Congress to honor the history of our Nation. Honoring the Nation's First Spouses on a numismatic item is noble and timely.

The United States Mint has learned a great deal from its previous experiences with coin redesign and dollar coin programs. A design change will make the coin more attractive to collectors, but likely will have no appreciable effect on how many are used in retail transactions. There are barriers against Golden Dollar circulation such as network effect, and higher distribution and handling costs. A design change will not mitigate these barriers.

As you know, the United States One Dollar Coin Act of 1997 authorized a dollar coin that is golden in color; has a distinctive edge, and tactile and visual features that make the denomination of the coin readily discernible; is the same size as the previous Susan B. Anthony Dollar (26.5 mm in diameter); and depicts an eagle on its reverse. The coin also was to have similar metallic, anti-counterfeiting properties as the Susan B. Anthony Dollar coins.

After planning over a two-year period, Golden Dollar production began in late 1999 and the United States Mint introduced the coins in 2000. Over one billion coins were produced in the first two years of production. Since then, however, circulating demand has dropped steadily. The United States Mint has over 262 million Golden Dollars in inventory and we estimate that 300 million are in commercial circulation. It is estimated that Golden Dollars make up only about 4 percent of the total number of daily one-dollar notes and dollar coin transactions. Americans are holding onto two-thirds of the Golden Dollars (over 600 million) and not re-circulating them. Based on these results, the change in design of the dollar coin may have sparked initial enthusiasm and collector interest, but it appears to have had a modest effect on its circulation. We now produce about 10 million Golden Dollars per year to satisfy the numismatic community, which wants to purchase Golden Dollars produced in the current year rather than Golden Dollars from past years that are in inventory.

Furthermore, for those businesses that choose to use the Golden Dollar, additional barriers exist: commingling of the Golden Dollar with the Susan B. Anthony in mixed rolls and bags; lack of sustained consumer demand; the cost of converting coin operated machines; and high costs incurred by armored carriers and banking institutions for handling coins.

United States Mint and Federal Reserve Efforts

The United States Mint continues to work with the Federal Reserve Bank to improve coin demand forecasting, improve coin ordering systems, reduce order lead-time (the span of time between when Federal Reserve orders are placed and fulfilled by the United States Mint), and to pre-position coin (shipping coins to Federal Reserve terminals). We appreciate the opportunity we have to further forge a strong relationship with the Federal Reserve.

The United States Mint and the Federal Reserve are currently moving toward a two-week lead-time for ordering coin. Shortening the lead-time between orders will greatly improve the accuracy of coins orders to true demand for coin.

The United States Mint is also considering re-packaging coins to ship in smaller increments, such as smaller bags and wrapped coin, to support distribution.

In the numismatic market, there are several ways the United States Mint can promote and support the distribution of dollar coins. These numismatic channels will help ensure that collectors can obtain all of the coins that would be released under this program in addition to obtaining them in circulation.

One avenue is through offering for sale, bags and rolls. The United States Mint currently sells 25-coin rolls and 2,000-coin bags directly to consumers. Customers purchase all products directly from the United States Mint through our website and our toll free number. The annual numismatic demand for the Golden Dollar is approximately 5.4 million coins per year rolls and bags.

Another method is through the sale of annual sets. The United States Mint produces annual proof and uncirculated versions of each circulating coin. These are our most popular collectibles. The addition of newly redesigned coins to these sets will further attract collectors and provide another opportunity for customers to obtain a complete set. The United States Mint will develop special sets that further satisfy the needs of the collectible market. These products may include first day coin covers, coin and die sets and a dollar coin proof series. The United States Mint is producing 5.1 million Golden Dollars annually to meet demand for proof and uncirculated sets.

Partnerships and licensing agreements also have proven successful. The United States Mint currently has partnerships with the United States Postal Service and the National Archives and Records Administration to develop historical and educational products that further support coin programs. These include the 50 State Quarters and Greetings from America products and the upcoming Lewis and Clark Coinage and Currency set. The United States Mint also has licensing agreements with private companies to create and distribute products that promote coin programs.

And lastly, the United States Mint could explore opportunities with other agencies and commercial banking institutions to install exchange machines that allow consumers to trade in bills and other coin denominations for new dollar coins.

Conclusion

In conclusion, I would like to share how our commitment to meet customers' needs has been recognized. The United States Mint was ranked the highest of Federal agencies in the University of Michigan Business School's American Customer Satisfaction Index (ACSI) for 2003. The ACSI measures over 180 American private corporations and between 60 and 70 government agencies annually.

Thank you, Mr. Chairman; I would be pleased at this time to answer any questions.

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