United States Mint

Program Summary by Budget Activity

Dollars in thousands

Budget Activity	FY 2011 Actual	FY 2012 Estimated	FY 2013 Estimated	FY 2012 TO FY 2013 $ Change	FY 2012 TO FY 2013 % Change
Manufacturing	$4,623,384	$3,806,838	$3,451,746	($355,092)	-9.33%
Protection	$51,506	$0	$0	$0	NA
Total Cost of Operations	$4,674,890	$3,806,838	$3,451,746	($355,092)	-9.33%
FTE	**1,787**	**1,847**	**1,772**	**(75)**	**-4.06%**

The Department of the Treasury eliminated the Protection budget activity and consolidated it into the Manufacturing budget activity beginning in FY 2012.

Budget Breakdown	FY 2011 Actual	FY 2012 Estimated	FY 2013 Estimated
Administrative Operating Costs	$405,642	$447,718	$400,704
Metals and Materials Costs	$4,242,560	$3,327,712	$3,019,632
Capital Investments	$26,688	$31,408	$31,410
Total Resources	**$ 4,674,890**	**$ 3,806,838**	**$ 3,451,746**

Summary

The United States Mint supports the Department of the Treasury's strategic goal to enhance United States competitiveness and promote international financial stability and balanced global growth.

Since FY 1996, the United States Mint has been operating under the United States Mint's Public Enterprise Fund (PEF). As authorized by Public Law 104-52 (31 U.S.C. § 5136), the PEF eliminates the need for appropriations. Proceeds from the sales of circulating coins to the Federal Reserve Banks and numismatic items to the public are the source of funding for operations. Both operating expenses and capital investments are associated with the production of circulating and numismatic coins and coin-related products. Revenues in excess of amounts required by the PEF are transferred to the United States Treasury General Fund.

The United States Mint's key priorities for FY 2013 include:

- Circulating - Efficiently and effectively mint and issue approximately 8.4 billion circulating coins in FY 2013 to meet the needs of commerce.

- Bullion - Mint and issue bullion coins while employing precious metal purchasing strategies that minimize or eliminate the financial risk that can arise from adverse market price fluctuations.

- Numismatic - Produce and distribute numismatic products in sufficient quantities to make them accessible, available, and affordable to people who choose to purchase them. Design, strike and prepare for presentation Congressional Gold Medals and commemorative coins, as required by law.

- Protection - Continue to secure over $400 billion in market value of the nation's gold reserves, silver and other assets.

FY 2013 United States Mint estimated total revenues are $3,558,600,000, total expenses are $3,451,746,000, of which $31,410,000 are capital investments, and net results are $106,854,000 in earnings.

US Mint FY 2013 Budget Highlights

Dollars in thousands

United States Mint	FTE	Amount
FY 2012 Estimated	**1,847**	**$3,806,838**
Changes to Base:		
Maintaining Current Levels (MCLs):	-	$40,470
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Non-Recurring Costs:	-	($353,049)
Forecast Net Reduction in Required Purchase of Metal Raw Materials	-	($347,049)
Reductions in Product Delivery Costs	-	($6,000)
Efficiency Savings:	(75)	($42,513)
Manufacturing Process Improvements	-	($1,465)
FTE Reductions (all departments)	(75)	($3,245)
IT Service Management	-	($798)
Green Initiatives	-	($674)
Voice Over Internet Protocol (VOIP)	-	($170)
Contract Savings	-	($13,700)
Restructure Information Technology Architecture Roadmap	-	($10,700)
Space Consolidation	-	($9,200)
Discontinue Expedited Shipping Costs	-	($1,500)
Reduced Travel Costs	-	($650)
IT Asset Refresh	-	($411)
Subtotal FY 2013 Changes to Base	(75)	($355,092)
Total FY 2013 Base	**1,772**	**$3,451,746**
Total FY 2013 Estimated	**1,772**	**$3,451,746**

FY 2013 Budget Adjustments

Maintaining Current Levels (MCLs)

Maintaining Current Levels +$40,470,000 / +0 FTE

Funds are requested for inflation adjustments (1.7 percent) in non-labor expenses such as GSA rent adjustments, postage, supplies and equipment and health benefits and the increase in Federal Employees Retirement System participation. Funds are also requested for the proposed 2013 pay raise (0.5 percent).

Non-Recurring Costs

Forecast Net Reduction in Required Purchase of Metal Raw Materials -$347,049,000 / +0 FTE

The Mint's costs for metal follow coin demand, metal purchase projections are down for FY 2013.

Reductions in Product Delivery Costs -$6,000,000 / +0 FTE

Numismatic sales and product delivery costs are anticipated to decline in FY 2013.

Efficiency Savings

Manufacturing Process Improvements -$1,465,000 / +0 FTE

The Mint at Philadelphia developed a new blank preparation process that reduces friction between dies and blanks, improves the quality of coinage, and doubles die life, increasing operational efficiency.

FTE Reductions (all departments) -$3,245,000 / -75 FTE

As a result of process improvements, efficiency gains and reduced production levels, the Mint's workforce has gradually declined through natural attrition across all departments.

IT Service Management -$798,000 / +0 FTE

This project automates and enhances the Mint's ability to support internal and external customers, improve efficiency and upgrades maintenance capabilities of its information technology infrastructure.

Green Initiatives -$674,000 / +0 FTE

The Mint Headquarters building in Washington, D.C. has been ENERGY STAR certified. The Headquarters building is experiencing significant savings and reducing its carbon footprint.

Voice Over Internet Protocol (VOIP) -$170,000 / +0 FTE

The Mint is implementing Voice Over Internet Protocol and this technology is expected to reduce telecommunications maintenance costs.

Contract Savings -$13,700,000 / +0 FTE

Savings are expected to result from continued re-evaluation of purchase orders for strategic sourcing opportunities, and through continued efforts to renegotiate more advantageous contract terms.

Restructure Information Technology Architecture Roadmap -$10,700,000 / +0 FTE

This effort aims to restructure and simplify the Mint's information technology environment, eliminate redundant applications and integrate all components that need to draw data from a common data source.

Space Consolidation -$9,200,000 / +0 FTE

The Mint will eliminate the space previously needed to house some of its employees at the 799 9th Street building. All of the Mint's Headquarters employees will be relocated to one building at 801 9th Street.

Discontinue Expedited Shipping Costs -$1,500,000 / +0 FTE

With the implementation of its new Order Management System, the Mint will adjust its shipping methods to reduce shipping costs and potentially lower product prices.

Reduced Travel Costs -$650,000 / +0 FTE

By increasing the use of videoconferencing to perform mission critical requirements, the Mint expects to considerably reduce its travel costs.

IT Asset Refresh -$411,000 / +0 FTE

By replacing desktop computers with a laptop and docking station, the Mint can realize substantial cost savings, increase staffing productivity and flexibility, and reduce IT maintenance costs.

Explanation of Budget Activities

Manufacturing ($3,451,746,000 from revenue/offsetting collections)

The United States Mint has one budget activity: Manufacturing. This budget activity encompasses the bureau's three major programs: circulating coinage, bullion coins, and numismatic coin products.

Circulating Coinage

The primary mission of the Mint is to enable commerce by minting and issuing circulating coinage to meet the needs of the United States. Circulating coinage includes the one-cent (penny), 5-cent (nickel), dime, and quarter-dollar coins. The Mint delivers circulating coinage to the Federal Reserve Banks at face value for subsequent distribution to the commercial banking system as required to transact commerce.

The Secretary of the Treasury has directed the United States Mint to suspend minting and issuing circulating Presidential $1 Coins beginning in calendar year 2012. Section 5111(a)(1) of Title 31, United States Code, states that the Secretary "shall mint and issue coins described in Section 5112 of this title in amounts the Secretary decides are necessary to meet the needs of the United States." Currently, the FRBs hold nearly 1.4 billion $1 coins in inventory. Based on current trends, the Federal Reserve estimates that the FRBs' inventories of $1 coins are sufficient to meet the needs of the United States for the next several years. Regular circulating demand will be met through the FRBs' existing inventories of $1 coins. Even though circulating $1 coin production has been suspended, the Mint forecasts positive seigniorage during the next two fiscal years.

Bullion Program

The Mint produces bullion coins under American Eagle, American Buffalo, and America the Beautiful Silver Bullion Coin Programs to fulfill investor demand. Bullion coins are largely bought by precious metal dealers and sold to consumers who desire precious metals as part of an investment portfolio. The demand for bullion coins is greatly influenced by the performance of other investment options, such as equities markets or currency markets, and therefore is highly unpredictable. The content and purity of bullion coins are backed by the United States Government.

Numismatic Program

The Mint produces and distributes numismatic products, including proof and uncirculated versions of coins, directly to the public and other customers. For some numismatic products, authorizing legislation specifies program requirements, such as design theme, mintage level and duration of product availability. Other programs are structured by law to grant the Secretary of the Treasury discretion in determining product specifications. The Numismatic Program includes the American Eagle Program, the American Buffalo Program, the America the Beautiful Quarters Program, the Presidential $1 Coin Program, recurring programs, commemorative coins and medals, and occasional special projects.

Legislative Proposals

Sec. 122. Coinage Materials Modernization Act (CMMA)

The recently passed Coin Modernization, Oversight and Continuity Act (Act) (CMOCA) (Public Law 111-302) provides the Secretary R&D authority; it does not give the Secretary the flexibility and agility to approve coinage materials that would result in significant long- and short-term savings to the taxpayers. Requiring legislation for each change in coin composition will greatly slow the process. As metal prices are extremely volatile, the delay incurred by proposing and passing legislation could result in the new compositions being outdated by the time of their enactment.

Increasing metal prices have driven production costs to exceed the face value of one-cent coins (pennies) and 5-cent coins (nickels) since FY 2006, and have deteriorated the returns realized from other circulating coinage. Should the total cost of producing coins ever exceed their face value (thereby reducing seigniorage) the United States Mint has reserved $248.8 million in its PEF to pay for capital expenditures and unplanned expenses. Although unlikely, if results are worse than expected, and the United States Mint is required to exhaust the $248.8 million in its PEF, the United States Mint could eventually require an appropriation or borrowing authority to fund circulating operations.

The Mint is proposing legislative changes that would modernize the Nation’s coinage materials for the first time since 1965. Specifically, these changes would amend 31 U.S.C. § 5112(a)-(c) to grant the Secretary the same authority he presently possesses with respect to the $1 coin—that is, the authority to prescribe the weights and compositions of all circulating coins, and to provide the Secretary flexibility to change the composition of coins to more cost-effective materials.

The proposed amendments would allow the Secretary to explore, analyze, and approve new, less expensive materials for all circulating coins based on factors that he determines to be appropriate. Such factors may include physical, chemical, metallurgical and technical characteristics; material, fabrication, minting, and distribution costs; material availability and sources of raw materials; coinability; durability; effects on sorting, handling, packaging and vending machines; risks to the environment and public safety; appearance; resistance to counterfeiting; and commercial and public acceptance.

Sec 123. .999 Silver Proof Sets

Under current law, the half-dollar, quarter-dollar and dime coins in silver proof sets "shall be made of an alloy of 90 percent silver and 10 percent copper." Allowing the Mint to have flexibility in this composition improves efficiency in the process of manufacturing silver proof sets and lowers the Mint's production costs for these products. The Mint recommends pursing a change to the law such that the coins in silver proof sets would be required to be no less than 90 percent silver. The lowering of production costs translates to savings that would be passed on to the customer as with other numismatic products, and efficiency gains in production that may result in some modest annual savings.

Sec 124. Eliminate the 20 percent requirement in the Native American $1 Coin Act

This legislative proposal seeks to eliminate the requirement that the number of $1 coins minted and issued in a year with the Sacagawea-design on the obverse be not less than 20 percent of the total number of circulating and numismatic $1 coins minted and issued in a year. Approval of this proposal would allow the United States Mint to mint and issue all $1 coins in amounts necessary to meet public demand for coins of each particular design. Currently, Federal Reserve Banks (FRBs) hold nearly 1.4 billion $1 coins in their inventories. These excessive inventories resulted from depository institutions re-depositing with the FRBs significant amounts of $1 coins. To address the excess $1 coin inventory problem, the United States Mint effectively has suspended the production of all $1 coins for circulation, and will mint and issue $1 coins solely for numismatic purposes until the FRBs have drawn down these excessive inventories. As a consequence, the elimination of the 20-percent requirement is sensible at this time because it avoids the need to mint and issue Native American $1 Coins in excess of the amounts that numismatic customers demand.

Remove *Sec. 113.*

For FY 2013, Treasury proposes to remove section 113 from the FY 2012 bill which requires approval of Congressional committees prior to implementing cooperative arrangements between the United States Mint and the Bureau of Engraving and Printing (BEP). This change would increase Treasury's flexibility to use the Economy Act to implement potential cooperative efforts such as shared administrative services that could reduce unnecessary duplication of effort and thus improve cost efficiency at the BEP and at the United States Mint. Treasury would still consult with the Committees on any major reorganization as required by section 608.

US Mint Performance by Budget Activity

Budget Activity	Performance Measure	FY 2009 Actual	FY 2010 Actual	FY 2011 Actual	FY 2012 Target	FY 2013 Target
Manufacturing	Customer Satisfaction Index (%)	88.3	86.1	91.7	92.0	93.0
Manufacturing	Numismatic Sales Units (Million Units)	N/A	N/A	7.3	7	7
Manufacturing	Seigniorage per Dollar Issued ($)	.55	.49	.45	.17	.14

Key: DISC - Discontinued and B - Baseline

Description of Performance

Seigniorage per Dollar Issued

Seigniorage is the financial return on circulated coinage shipped to the FRB and the public. It measures the cost-effectiveness of the United States' circulating coinage. Seigniorage per dollar issued was $0.45 in FY 2011, above the performance target of $0.41. Results exceeded the target because the mix of ordered coins shifted toward higher denominations, which made up 10 percent of total shipments.

The Mint expects seigniorage per dollar issued to decline in future years because of significant changes to the denomination mix of coins – primarily, a decrease in $1 coins in FY 2012. The performance target for seigniorage per dollar issued is $0.17 for FY 2012 and $0.14 for FY 2013.

Customer Satisfaction Index (CSI)

A United States Mint contractor conducts a quarterly Customer Satisfaction Measure (CSM) Tracking Survey among a random sample of active customers. The CSM Survey is intended to capture customer satisfaction with the United States Mint's performance as a coin supplier and the quality of specific products. The CSI is a single quantitative score of CSM Survey results. The United States Mint's CSI reached 91.7 percent in FY 2011, above the target of 88.0 percent.

Numismatic Sales Units

The numismatic sales units metric indicates the number of coin products sold to the public from numismatic operations. It quantifies the demand for the Nation's official numismatic products. Increases in units sold allow the Mint to potentially reduce product unit costs and thus product sales prices, since fixed costs would be spread over a greater number of units. Increased unit sales also indicate greater demand for the Mint's products.

Numismatic sales units totaled 7.3 million in FY 2011, exceeding the target of 7.0 million. Performance improved due to strong sales of American Eagle numismatic products and the release of the 2011 United States Mint annual coin sets earlier in the calendar year.