United States Mint

FY 2013

President's Budget Submission

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Section 1 – Purpose

1A – Mission Statement

To manufacture and distribute circulating coins, precious metal and collectible coins, and national medals to meet the needs of the United States.

1.1 – Resource Detail Table

Dollars in Thousands

	FY 2011 Actual		FY 2012 Estimated		FY 2013 Estimated		% Change FY 2012 to FY 2013	
	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT
Budgetary Resources:								
Revenue/Offsetting Collections								
Circulating		$776,910		$494,370		$469,000		-5%
Bullion/Numismatic		$4,193,077		$3,480,700		$3,089,600		-11%
Total Revenue/Offsetting Collections		**$4,969,987**		**$3,975,070**		**$3,558,600**		**-10%**
Total Budgetary Resources Available		**$4,969,987**		**$3,975,070**		**$3,558,600**		**-10%**
Expenses/Obligations								
Circulating	840	$578,130	856	$365,714	821	$395,935	-4%	8%
Bullion/Numismatic	947	$4,096,760	991	$3,441,124	951	$3,055,811	-4%	-11%
Total Expenses/Obligations	**1,787**	**$4,674,890**	**1,847**	**$3,806,838**	**1,772**	**$3,451,746**	**-4%**	**-9%**
Net Results		**$295,097**		**$168,232**		**$106,854**		**-36%**
Capital Investments		**$26,688**		**$31,408**		**$31,410**		**0%**
Coin Shipments (in Millions)								
Circulating:								
One Cent		4,289		4,672		5,051		8%
5-Cent		914		812		901		11%
Dime		1,403		1,433		1,585		11%
Quarter		323		675		860		27%
Half Dollar		0		0		0		0%
Dollar		467		95		0		-100%
Total Circulating		**7,396**		**7,687**		**8,397**		**9%**

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**

1B – Mission Priorities and Context

The United States Mint (Mint) manufactures and distributes domestic circulating coinage, bullion coin products, numismatic coinage, and national medals in the most cost effective and efficient manner possible. In addition, the Mint provides security for assets, including the government's reserves of gold bullion, silver bullion, coins and coinage metals. The Mint is the world's largest coin manufacturer with production operations in California, Colorado, New York and Pennsylvania, as well as the United States Bullion Depository in Kentucky and Headquarters in Washington, D.C. The Mint supports the Department of the Treasury's strategic goal to

Enhance U.S. Competitiveness and Promote International Financial Stability and Balanced Global Growth.

Vision
The Mint's vision is to become the finest mint in the world, through excellence in its people, products, customer service and workplace. The Mint has four strategic goals to help it fulfill its vision and mission. They are: 1) Effectively met all circulating demand; 2) Effectively managed bullion and numismatic programs; 3) A safe, engaged and innovative workforce; and 4) Leadership and organizational excellence.

FY 2013 Priorities

- 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.

Context
Since Fiscal Year (FY) 1996, the Mint has operated under the United States Mint Public Enterprise Fund (PEF). As authorized by Public Law 104-52 (codified at 31 U.S.C. § 5136), the PEF eliminates the need for appropriations. Proceeds from the sales of circulating coins to the Federal Reserve Banks (FRB), bullion coins to authorized purchasers, and numismatic items to the public and other customers are paid into the PEF and provide the funding for Mint operations. All circulating, bullion and numismatic operating expenses and capital investments incurred for the Mint's operations and programs are paid out of the PEF. By law, all funds in the PEF are available without fiscal year limitation. Revenues determined to be in excess of the amount required by the PEF are transferred to the United States Treasury General Fund as off-budget and on-budget receipts. Off-budget receipts consist of seigniorage, the difference between the receipts from the Federal Reserve System from the sale of circulating coins at face value and the full costs of minting and distributing circulating coins. Seigniorage is deposited periodically to the General Fund where it reduces the government's need to borrow. This results in a reduction in interest on the Federal debt from the borrowing that seigniorage displaces. The net returns from bullion and numismatic program operations are recorded as on-budget receipts in the Federal budget, and are available to be used to fund Federal Government operations and programs.

The Mint's budget receipts and outlays reflect the demand for and sales of circulating, bullion and numismatic coin products. In accordance with the PEF statute, proceeds from sales provide the Mint's funding source, fully covering budget outlays, which adjust as the necessary resources are engaged to fulfill prevailing demand. The vast majority (approximately 90 percent in FY 2011) of budget outlays are for procurement of metals and materials for conversion into finished goods. The amount spent each fiscal year on procuring metals and materials is determined by the demand for coins and coin products. Demand determines the quantity of metals and materials the Mint must purchase to manufacture required production volumes. Open commodity market price trends determine the price the Mint pays to purchase those metals and materials. The economic environment can significantly affect the Mint's budget outlays by influencing these two external factors.

The PEF funding model remains viable under current conditions for each line of business. The numismatic program (including collectible coins and sets, bullion coins, national medals, and related accessories) is designed to ensure the Mint does not incur any losses from operations. Product pricing and metal purchasing policies ensure that all raw materials, production and overhead expenses are fully covered by sales revenue. However, the PEF funding model for circulating operations currently faces a risk because of the rising cost of metal. 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. Positive seigniorage from minting and issuing higher denominations has fully offset the losses the Mint incurs from minting and issuing pennies and nickels. Consequently, overall positive seigniorage from the circulating coin program has become highly dependent on the production of higher denominations, but increases in metal prices have dramatically reduced the seigniorage accrued from these higher denomination coins as well. To address the effect of rising metal prices on the financial viability of the circulating coin program, the Mint is conducting research and development (R&D) on potential new metallic coinage materials, pursuant to the Coin Modernization, Oversight, and Continuity Act of 2010 (Public Law 111-302). From this R&D effort, the Mint must issue biennial reports to Congress, analyzing production costs for each circulating coin, cost trends for such production, and possible new metallic materials or technologies for the production of circulating coins. These reports also must include detailed recommendations for any appropriate changes to the metallic content of circulating coins in such a form that the recommendations could be enacted into law as appropriate, as well as recommendations for changes in the methods of producing coins that would further reduce the costs to produce circulating coins. Notes on the legislative changes that are necessary to achieve such goals must also be included. The first biennial R&D report is due to Congress in December 2012.

Circulating

Based on current economic data and assuming a steady economic recovery, circulating coin demand is anticipated to grow over each of the next three fiscal years. In FY 2011, circulating coin shipment volumes increased to 7.4 billion from 5.4 billion in FY 2010, and seigniorage increased by 16.0 percent. Revenue growth in FY 2011 was due to increased shipments of all denominations. In FY 2012, increases predominantly in lower denomination coin shipments are projected. However, the Mint expects the Federal Reserve will order significantly more quarters in FY 2012 to fulfill both collector and transactional demand. The Mint expects to continue to mint and issue the penny and nickel at costs above their face values.

Circulating coin production for FY 2013 is forecasted at 8.4 billion coins—approximately a 9 percent increase over the FY 2012 projection and a 14 percent increase over FY 2011 production. Penny, nickel and dime coin shipments are expected to increase eight to 11 percent in FY 2013 from FY 2012 as coin demand steadily improves. Anticipated quarter-dollar coin shipments reflect a 27 percent increase in demand, the largest projected increase for FY 2013 among the coin denominations.

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

The Mint, as the world's largest producer of gold and silver bullion coins, employs precious metal purchasing strategies that minimize or eliminate the financial risk that can arise from adverse market price fluctuations.

Bullion coin demand reached historic highs in FY 2011. The estimates included in this budget are based on the assumption that bullion coin revenue is expected to gradually decline as gold and silver prices ease and investor demand weakens. Specifically, budget estimates assume gold prices will decline to the mid-$1,400 per ounce range through FY 2012 and decline to under $1,400 per ounce in FY 2013, and silver prices are anticipated to decline to under $35 per ounce through FY 2012 and decline to under $32 per ounce in FY 2013.

Numismatic

In FY 2011, numismatic revenue increased considerably due to three primary factors: (1) first and most significantly, higher commodity prices for precious metals; (2) the release of both 2010 and 2011 American Eagle gold, silver and platinum coin products within the 2011 fiscal year was atypical and will not be repeated in subsequent fiscal years; and (3) the Mint offered a greater proportion of its numismatic products for sale earlier in the year rather than later. As a result, numismatic revenue increased dramatically. Numismatic revenue is expected to decline from the FY 2011 peak but remain strong relative to prior years. Numismatic sales are projected to be $595.9 million in FY 2012. Although this reflects a 17 percent decline in revenue from the unusual revenue peak experienced in FY 2011, it is still well above prior fiscal years' sales. FY 2013 numismatic sales are projected to be $524.3 million, 11 percent below the projected revenue of FY 2012, reflecting continued reduction in annual sales volumes.

Section 2 – Budget Adjustments and Appropriation Language

2.1 – Budget Adjustments Table

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
Maintaining Current Levels	-	$40,470
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**

2A – Budget Increases and Decreases Description

Maintaining Current Levels (MCLs) .... +$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 .... -$353,049,000 / +0 FTE

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

Both the bullion and numismatic programs experienced dramatic increases in sales in FY 2010. During FY 2011, demand for these programs has remained strong. Revenue for these programs is expected to decline somewhat in FY 2012. In FY 2013, sales are expected to continue to decline, but remain above pre-2010 levels. As the Mint's costs for metal follows coin demand, metal purchase projections are down for FY 2013.

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

Costs for product delivery are a direct result of sales volumes. Numismatic sales are anticipated to decline in FY 2013 and product delivery costs are therefore expected to decline as well.

Efficiency Savings .... -$42,513,000 / -75 FTE
The Mint endeavors to minimize costs while keeping product quality and customer service at peak levels. In its efforts to increase efficiency and effect savings, the bureau has identified the following efficiencies, savings and reductions:

Manufacturing Process Improvements -$1,465,000 / +0 FTE
The Mint at Philadelphia developed a new process that improves coin quality and appearance, and increases die life. The implementation of a new blank preparation process that reduces friction between dies and blanks improves the quality of coinage, and doubles die life, decreasing the number of dies that need to be produced and replaced in the stamping operation and 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 staffing levels have gradually declined over time. This trend is anticipated to continue into FY 2013. Labor reductions will be accomplished through natural attrition and decreased number of vacancies 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 the efficiency of its information technology infrastructure, and upgrades maintenance capabilities for that infrastructure.

Green Initiatives -$674,000 / +0 FTE
The Mint Headquarters building in Washington, D.C. has been ENERGY STAR certified. By making simple adjustments like replacing light switches with motion sensors and converting to automatic paper towel dispensers, the Headquarters building is experiencing significant savings. The cleaning contractor uses only "green" materials (such as recycled paper products and environmentally friendly cleaning products), and the Mint's construction contractors are required to use green products when feasible. By adding weather stripping, insulation, and energy efficient light bulbs, the bureau saves money and reduces its carbon footprint.

Voice Over Internet Protocol (VOIP) -$170,000 / +0 FTE
The Mint is implementing Voice Over Internet Protocol. Investment in this technology is expected to reduce annual telecommunications maintenance costs.

Contract Savings -$13,700,000 / +0 FTE
Achieving contract savings is a priority for the Mint. Savings are expected to result from continued re-evaluation of purchase orders for strategic sourcing opportunities, and through continued efforts to negotiate more advantageous contract terms. This effort should also foster increased competition and help the Mint meet its procurement savings goals.

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. Substantial savings should be realized by integrating multiple technologies

and eliminating otherwise unnecessary costs that to date have been required to maintain the current architecture.

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

The Mint will eliminate the space previously needed to house some of its Headquarters employees at the 799 9th Street building. The lease for this building expires in FY 2012, and all of the Mint's Headquarters employees will be relocated to one building at 801 9th Street, which is expected to reduce rent costs significantly. The gross expense of the lease is $9.2 million. Other tenants have subleased space within the 799 9th Street building and have been reimbursing the Mint a portion of the gross leasing costs. The Mint expects to realize net savings of $1,251,000.

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

Customers placing coin orders in excess of $300 receive a complimentary shipping upgrade from standard delivery to expedited delivery. With the implementation of its new Order Management System, the Mint will adjust its shipping methods to eliminate the upgrade, reducing shipping costs and potentially lowering 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

To date, telecommuting and travel activities have required many Mint employees to be assigned both a desktop and laptop computer. 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.

2.2 – Operating Levels Table

Dollars in Thousands

United States Mint	FY 2011 Actual	FY 2012 Estimated	FY 2013 Estimated
FTE	**1,787**	**1,847**	**1,772**
Object Classification			
11.1 - Full-time permanent	130,257	146,405	144,668
11.3 - Other than full-time permanent	781	781	768
11.5 - Other personnel compensation	11,132	11,132	10,954
11.9 Personnel Compensation (Total)	**142,170**	**158,318**	**156,390**
12 - Personnel benefits	43,580	44,661	44,794
13 - Benefits for former personnel	1,050	1,050	1,050
21 - Travel and transportation of persons	2,212	3,556	2,906
22 - Transportation of things	34,236	34,849	27,349
23.1 - Rental payments to GSA	385	376	425
23.2 - Rental payments to others	22,799	27,635	18,435
23.3 - Communication, utilities, and misc charges	10,392	12,135	11,291
24 - Printing and reproduction	2,147	2,582	2,582
25.1 - Advisory and assistance services	43,540	46,705	35,207
25.2 - Other services	54,056	60,029	46,329
25.3 - Other purchases of goods and services from Govt. accounts	20,482	21,818	21,818
25.5 - Research and development contracts	2,105	2,242	2,242
25.7 - Operation and maintenance of equip	10,519	11,205	9,329
26 - Supplies and materials	13,416	17,530	17,530
26.7 - Raw Materials	4,242,560	3,327,712	3,019,632
31 - Equipment	2,546	3,020	3,020
32 - Land and structures	26,688	31,408	31,410
42 - Insurance claims and indemnities	7	7	7
Total Budget Authority	**4,674,890**	**3,806,838**	**3,451,746**
Budget Activities:			
Manufacturing	4,623,384	3,806,838	3,451,746
Protection	51,506	0	0
Total Budget Authority	**4,674,890**	**3,806,838**	**3,451,746**

2B – Appropriations Language and Explanation of Changes

Appropriations Language	Explanation of Changes
DEPARTMENT OF THE TREASURY UNITED STATES MINT PUBLIC ENTERPRISE FUND Federal Funds Pursuant to section 5136 of title 31, United States Code, the United States Mint is provided funding through the United States Mint Public Enterprise Fund for costs associated with the production of circulating coins, numismatic coins, and protective services, including both operating expenses and capital investments[.] *Provided that* [The] *the* aggregate amount of new liabilities and obligations incurred during fiscal year [2012] 2013 under such section 5136 for circulating coinage and protective service capital investments of the United States Mint shall not exceed [$20,000,000] *$19,000,000*. *(Department of the Treasury Appropriations Act, 2012.)*	

2C – Legislative Proposals
Cooperative Efforts
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.

[SEC. 113. None of the funds appropriated or otherwise made available by this or any other Act or source to the Department of the Treasury, the Bureau of Engraving and Printing, and the United States Mint, individually or collectively, may be used to consolidate any or all functions of the Bureau of Engraving and Printing and the United States Mint without the explicit approval of the House Committee on Financial Services; the Senate Committee on Banking, Housing, and Urban Affairs; and the Committees on Appropriations of the House of Representatives and the Senate.]

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. 122. (a) Sections 2 and 3 of Public Law 111-302 are hereby repealed.
(b) Section 5112 of Title 31, United States Code, is amended as follows:
(1) Subsection (a)(2) is amended by striking " and weighs 11.34 grams."
(2) Subsection (a)(3) is amended by striking " and weighs 5.67 grams."
(3) Subsection (a)(4) is amended by striking " and weighs 2.268 grams."
(4) Subsection (a)(5) is amended by striking " and weighs 5 grams."
(5) Subsection (a)(6) is amended by—
(A) striking "except as provided under subsection (c) of this section, "; and
(B) striking " and weighs 3.11 grams."
(6) Subsection (b) is amended by striking the first, second, third, fourth, sixth, seventh, and eighth sentences, and striking "metallic, ".
(7) Subsection (c) is amended to read as follows: "The Secretary shall prescribe the weight and the composition of the dollar, half-dollar, quarter-dollar, dime, 5-cent, and one-cent coins. In prescribing the weight and the composition of the dollar, half-dollar, quarter-dollar,

dime, 5-cent and one-cent coins, the Secretary shall consider such factors that the Secretary considers, in the Secretary's sole discretion, to be appropriate."

(c) Section 5113(a) of Title 31, United States Code, is amended by—

(1) striking "and " and inserting after "dime" ", 5-cent, and one-cent"; and

(2) striking the second and third sentences.

.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 pursuing 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. 123. (a) Section 5112(t)(6)(B) of Title 31, United States Code, is amended by striking "90 percent silver and 10 percent copper" and inserting in its place "no less than 90 percent silver."

(b) Section 5132(a)(2)(B)(i) of Title 31, United States Code, is amended by striking "90 percent silver and 10 percent copper" and inserting in its place "no less than 90 percent silver."

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.

Sec. 124. Section 5112(r) of title 31, United States Code, is amended by striking paragraph (5).

Section 3 – Budget and Performance Report and Plan

3A – Manufacturing
($3,451,746,000 from revenue/offsetting collections):
The Mint has one budget activity: Manufacturing. This budget activity encompasses the bureau's three major programs: Circulating coinage, bullion coins, and numismatic coin products. The goal owner for the Manufacturing budget activity is the Mint's Deputy Director, Richard Peterson.

Circulating Coinage Program
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 minting of Presidential $1 Coins for circulation was suspended beginning in calendar year 2012. During the first quarter of Fiscal Year 2012, the Mint produced and shipped approximately 95 million James Garfield Presidential $1 Coins, and incurred related costs. FY 2012 revenue, seigniorage and cost estimates have been revised to reflect the decrease in $1 coins. The FY 2013 budget reflects complete suspension of the product.

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 Mint will continue to mint and issue quarter-dollar coins honoring America's national parks and other national sites in accordance with the America's Beautiful National Parks Quarter Dollar Coin Act of 2008 (Public Law 110-456). In 2012, the Mint will release coins in the America the Beautiful Quarters® Program honoring El Yunque National Forest (Puerto Rico), Chaco Culture National Historical Park (New Mexico), Acadia National Park (Maine), Hawaii Volcanoes National Park (Hawaii) and Denali National Park (Alaska). In 2013, the Mint will release quarters honoring White Mountain National Forest (New Hampshire), Perry's Victory and International Peace Memorial (Ohio), Great Basin National Park (Nevada), Fort McHenry National Monument and Historic Shrine (Maryland) and Mount Rushmore National Memorial (South Dakota).

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.

While the American Eagle Gold and Silver Bullion Coin Programs have been operated for decades and the American Buffalo Gold Bullion Coin Program has operated for several years, the America's Beautiful National Parks Quarter Dollar Coin Act of 2008 recently required the Mint to mint and issue five-ounce silver bullion coins replicating each of the designs featured on the United States Mint America the Beautiful Quarters® coins. The bullion coins are three inches in diameter and have a face value of a quarter-dollar. These are the first five-ounce, three-inch silver bullion coins ever produced by the Mint.

America the Beautiful Silver Bullion Coins sell at prevailing silver market prices. Silver is typically the lowest-priced precious metal, making these bullion coins an affordable choice for most investors.

Numismatic Program

The Mint produces and distributes numismatic products, including proof and uncirculated versions of coins, directly to the public. 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.

Recurring numismatic programs include high quality, specially presented products based on circulating coinage. These products are designed for mass market appeal. Recurring numismatic products include proof sets, silver proof sets, uncirculated sets, quarter-dollar coin sets and $1 coin sets. While the minting of Presidential $1 Coin for circulation has been suspended, the coin will continue to be produced for numismatic sale.

The Mint will continue to mint and issue numismatic versions of $1 coins honoring the Nation's past Presidents in accordance with the Presidential $1 Coin Act of 2005 (Public Law 109-145). In 2012, the Mint will release Presidential $1 Coins honoring Presidents Chester Arthur, Grover Cleveland (first non-consecutive term), Benjamin Harrison, and Grover Cleveland (second non-consecutive term). In 2013, the Mint will release Presidential $1 Coins honoring Presidents William McKinley, Theodore Roosevelt, William Howard Taft, and Woodrow Wilson.

In 2012 and 2013, the Mint will also continue to mint and issue $1 coins celebrating the important contributions made by Indian tribes and individual Native Americans to the development of the United States and the history of the United States in accordance with the Native American $1 Coin Act (Public Law 110-82).

Commemorative coins are authorized by law to celebrate and honor people, places, events, institutions, and other subjects of historic or national significance. Each coin is minted and issued by the Mint in a limited quantity and is available only for a limited time. Included in the price is a surcharge that is authorized to be paid to the designated recipient organizations for projects that benefit the community. In FY 2013, the Mint will mint and issue the Girl Scouts USA Centennial Commemorative Coin (Public Law 111-86), the 5-Star Generals Commemorative Coin (Public Law 111-262), and the Civil Rights Act of 1964 Commemorative Coin Program (Public Law 110-451. The American Eagle Proof and Uncirculated Coin Programs consist of the Mint's premier collectible products. These coins contain platinum, gold or silver and are issued in proof or uncirculated quality. Gold proof coins are issued with onetenth, one-quarter, one-half or one ounce of precious metal content. Gold uncirculated coins are issued with one ounce of gold content. Silver proof and uncirculated coins are issued with one ounce of silver metal content. Platinum proof coins are issued with one ounce of platinum metal content.

In FY 2013, the Mint's total estimated budgetary requirements for operating, metal and capital investments are $3,451.7 million.

Description of Performance:
The Mint developed several key performance measures to gauge the bureau's progress in achieving each of its strategic goals and assess its Manufacturing Budget Activity performance.

Seigniorage per Dollar Issued
Seigniorage per dollar issued is the financial return on circulating operations, calculated as seigniorage divided by the total face value of circulated coinage shipped to the FRB and the public. It measures the cost-effectiveness of the United States' circulating coinage. This measure incorporates the cost of the metal composition of coins as specified by law, and gauges the Mint's efficiency in manufacturing and distributing circulating coins to meet the needs of the Nation. The strategic goal for this program is "Effectively met all circulating demand".

The main factors that affect performance are the volume of coinage demanded by the FRBs, the denomination mix of coins demanded, the costs of metal materials used to mint the coins and the Mint's production costs. Most of these drivers are external factors, reflecting the Nation's economic activity and the resulting need for coins to transact commerce. The realized cost for fabricated metal strips and blanks fluctuates as supply and demand pressures influence metal market prices.

Seigniorage per dollar issued was $0.45 in FY 2011, above the performance target of $0.41. Performance results exceeded the target because the mix of ordered coins shifted toward higher denominations. Quarter-dollar and $1 coins, which were anticipated to make up only seven percent of total shipments, represented 10 percent.

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.

The Mint plans to achieve the FY 2013 target as the expected result from normal manufacturing operations. Ongoing efforts to achieve greater efficiency include aggressive cost-cutting, procurement savings, and improved internal inventory management. These efforts are intended to improve performance, assuming the main external factors of cost and volume hold constant.

Customer Satisfaction Index (CSI)
The Mint conducts a quarterly Customer Satisfaction Measure Tracking Survey among a random sample of active numismatic customers. The survey is intended to capture customer satisfaction with the Mint's service and product quality. The CSI is a quantitative score of survey results.

The main factors driving CSI performance are customers' ordering experience, the availability of products that customers want, and the Mint's performance in delivering high-quality numismatic products that meet customers' expectations. Product availability reflects internal factors, such as production or supply chain management, and external factors, such as legislative mandates. Customers' ordering experience reflects the customer interaction with the Mint through information technology systems and customer service representatives.

CSI reached 91.7 percent in FY 2011, above the target of 88.0 percent. Customer service performance improved this year largely due to the Mint's ability to offer the numismatic versions of American Eagle products for sale. These popular products were previously unavailable because gold and silver blanks were diverted to bullion coin production in accordance with statute. The Mint also enhanced customer service by ensuring that the call center and order fulfillment center continued to meet or exceed performance standards for accessibility, call length and order cycle time.

The performance target for CSI is 92.0 percent in FY 2012 and 93.0 percent in FY 2013. The Mint plans to achieve the FY 2013 performance target by modernizing the Mint's order management system. A modern, more flexible information technology infrastructure with improved capabilities will be needed to exceed customer expectations in current and future numismatic markets. Funding for customer service improvement initiatives or investments is covered by the prices charged to sell the coinage and coin products.

Safety Incident Recordable Rate

The safety incident recordable rate is the number of injuries and illnesses meeting the Occupational Safety and Health Administration recording criteria per 100 full-time workers. It measures the occurrence of work-related incidents involving death, lost time and restricted work, loss of consciousness and medical treatment.

The safety incident recordable rate is a measure of the safety of Mint operations. Lower injury rates not only are indicative of a safer work place for the Mint's employees, but also reduce the cost of operations by diminishing lost work-hours and workers' compensation claims.

The safety incident recordable rate was 2.74 recordable injuries and illnesses per 100 full-time workers in FY 2011, below the 3.34 target. Several programs and policies developed over the past three years to keep workers and the workplace environment safer have kept injury and illness rates low. Executives also meet monthly to discuss injury and illness rates, any incidents and corrective actions. These efforts include discussing initiatives to reduce risk and prevent future incidents.

The performance target for safety incident recordable rate is 3.24 in FY 2012 and 3.14 in FY 2013. The Mint plans to achieve the FY 2013 performance target by formalizing internal safety performance measures piloted in FY 2012. These internal safety measures will provide useful information for driving improvement and reducing risks of major hazards. The Mint also aims to reduce incidents resulting from material handling, which make up approximately half of total incidents each year. Each facility will complete annual projects to eliminate material handling hazard beginning in FY 2012. Any investments and expenses for safety programs are applied to the costs of Mint products. Funding for safety-specific initiatives or investments is covered by the prices charged to sell the coinage and coin products

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. The strategic goal for this program is "Effectively managed bullion and numismatic programs". 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 unit sales are affected by both external and internal factors. External factors, such as overall economic conditions, may alter the public's consumption behavior. Internally, the Mint can affect performance through the design and quality of products. Also, promotion campaigns may increase the general public's and coin-collectors' awareness of Mint 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. Sales of new America the Beautiful Quarters products and the 2011 September 11 National Medal also augmented FY 2011 results.

The performance target for numismatic sales units is 7.0 million in FY 2012 and 7.0 million in FY 2013. The Mint plans to achieve the FY 2013 performance target by providing high quality products, enhancing customer service, marketing core products to current collectors and exploring new products to appeal to a broader range of customers.

As previously stated, the release of both 2010 and 2011 American Eagle gold, silver and platinum products within the 2011 fiscal year was atypical and will not be repeated. This dual release of products caused the dramatic increase in revenue. The Mint expects new product sales will offset anticipated declines from not having two sales cycles in future fiscal years. As such, the performance target for this measure does not increase.

The 2013 Cuts, Consolidations, and Savings (CCS) Volume of the President's Budget identifies the lower-priority program activities under the GPRA Modernization Act, 31 U.S.C. 1115(b)(10). The public can access the volume at: http://www.whitehouse.gov/omb/budget.

3.1.1 – Manufacturing Budget and Performance Report and Plan

Dollars in Thousands

Manufacturing Budget Activity Resource Level	FY 2006 Actual	FY 2007 Actual	FY 2008 Actual	FY 2009 Actual	FY 2010 Actual	FY 2011 Actual	FY 2012 Estimate	FY 2013 Estimate
Revenue/Offsetting Collections	$1,469,100	$2,002,796	$2,014,698	$2,215,903	$3,624,483	$4,623,384	$3,806,838	$3,451,746
Total Resources	**$1,469,100**	**$2,002,796**	**$2,014,698**	**$2,215,903**	**$3,624,483**	**$4,623,384**	**$3,806,838**	**$3,451,746**
Budget Activity Total	**$1,469,100**	**$2,002,796**	**$2,014,698**	**$2,215,903**	**$3,624,483**	**$4,623,384**	**$3,806,838**	**$3,451,746**

Measure	FY 2006 Actual	FY 2007 Actual	FY 2008 Actual	FY 2009 Actual	FY 2010 Actual	FY 2011 Actual	FY 2012 Target	FY 2013 Target
Customer Satisfaction Index (%)	N/A	N/A	N/A	88.3	86.1	91.7	92.0	93.0
Numismatic Sales Units (Million Units)	N/A	N/A	N/A	N/A	N/A	7.3	7	7
Safety Incident Recordable Rate	N/A	N/A	N/A	N/A	2.29	2.74	3.24	3.14
Seigniorage per Dollar Issued ($)	N/A	N/A	N/A	.55	.49	.45	.17	.14

Key: DISC - Discontinued and B - Baseline

3B – Protection

($0 from revenue/offsetting collections):

The Department of the Treasury eliminated the Protection budget activity and consolidated it into the Manufacturing budget activity beginning in FY 2012. The Department determined that the Protection budget activity failed to serve a meaningful purpose on a standalone basis and unnecessarily complicated budgetary and other financial reporting.

3.1.2 – Protection Budget and Performance Report and Plan

Dollars in Thousands

Protection Budget Activity Resource Level	FY 2006 Actual	FY 2007 Actual	FY 2008 Actual	FY 2009 Actual	FY 2010 Actual	FY 2011 Actual	FY 2012 Estimate	FY 2013 Estimate
Revenue/Offsetting Collections	$36,917	$47,007	$42,598	$43,318	$46,278	$51,506	$0	$0
Total Resources	**$36,917**	**$47,007**	**$42,598**	**$43,318**	**$46,278**	**$51,506**	**$0**	**$0**
Budget Activity Total	**$36,917**	**$47,007**	**$42,598**	**$43,318**	**$46,278**	**$51,506**	**$0**	**$0**

Detailed information about each performance measure, including definition, verification and validation is available.

Section 4 – Supplemental Information

4A – Capital Investment Strategy

The Mint is a non-appropriated bureau whose capital investments, along with its operating expenses, are paid out of its PEF. The aggregate amount of new liabilities and obligations incurred during the budget fiscal year for capital investments in circulating coinage operations and protective service are limited to the cumulative depreciation amount incurred for related capital projects. As such, the Mint's long-range planning process is designed to address its capital needs while maintaining spending within depreciation limitations.

The goal of the Mint's capital strategy is to develop an annual spending plan for projects designed to manufacture circulating coins, precious metal and collectible coins and national medals in the most cost effective and efficient manner possible. The Mint's major capital investment requirements consist of replacing and/or enhancing coin manufacturing equipment, maintaining Mint facilities, and ensuring compliance with safety and environmental laws, regulations, and executive orders. These requirements are based on the needs of the Mint's four production facilities and the United States Bullion Depository at Fort Knox.

Capital Investments

(Dollars in Thousands)

Major Investments	FY 2011 Actuals	FY 2012 Estimated	FY 2013 Estimated
Circulating Capital Investments (Including Protection)			
Circulating Information Technology	2,250.0	1,202.8	1,203.8
Circulating Building Improvements	7,830.0	14,259.0	14,259.0
Circulating Equipment	8,176.0	2,725.0	2,725.0
Total Circulating (Including Protection)	**$18,256.0**	**$18,186.8**	**$18,187.8**
Numismatic Capital Investments			
Numismatic Information Technology	885.0	1,202.7	1,203.7
Numismatic Building Improvements	3,691.0	7,443.8	7,443.8
Numismatic Equipment	3,856.0	4,575.0	4,575.0
Total Numismatic	**$ 8,432.0**	**$13,221.5**	**$13,222.5**
Total Capital Investments	**$26,688.0**	**$31,408.3**	**$31,410.3**

The Mint's capital investment strategy includes several broad investment categories with more specific projects in each category.

- The Mint places the highest priority on capital investments that ensure employee safety, as well as compliance with environmental and regulatory standards. For example, the Mint developed a multi-year plan based on a detailed facilities assessment conducted at all four plant sites in 2009. The assessment was designed to identify deficiencies in infrastructure needs within the four plant sites. Items identified with a rating of 80 percent or higher deficiency rate were ranked highest priority. Included in this assessment are projects such as life safety improvements, roof replacement, electrical system upgrades and HVAC replacements.

- The Mint has begun to incorporate sustainability into the bureau's operations and culture, per Executive Order 13514 and the Department of the Treasury's Strategic Sustainability Performance Plan. Accomplishing the Mint's mission and achieving the President's and the Treasury Department's sustainability goals are important objectives because coin production involves intensive use of natural resources. Sustainability projects that reduce the Mint's energy, water and material use during coin production should reduce costs. These sustainability projects have the added social benefits of reducing air pollution, water pollution, solid waste, and greenhouse gas emissions.

- New coin legislation mandates a significant portion of the Mint's capital spending priorities. For example, in FY 2011 the Mint purchased a large tonnage press to produce the three-inch, five-ounce silver bullion coins required by the America's Beautiful National Parks Quarter-Dollar Coin Act of 2008 (Public Law 110-456). Prior to this purchase, the Mint did not have the capability to mint three-inch coins in sufficient quantities.

Overall, the Mint's capital strategy provides a foundation for identifying and prioritizing investments needed to achieve the bureau's goals for building safety and improvements, manufacturing process efficiencies improvements and sound environmental management. This strategy fosters a collaborative approach to making the best use of available funding and provides for the most efficient and effective use of limited capital resources.

Capital Investment Strategy (IT)

The Mint's IT strategy is tightly aligned with "The 25-Point Implementation Plan To Reform Federal Information Technology Management," created by the Federal Chief Information Officer (CIO) in December 2010. The Mint's IT strategy emphasizes reductions in system redundancy, adoption of new technology developments, and optimization of formal governance structures to manage IT investments and programs. In early 2010, the Mint conducted a comprehensive IT assessment and analysis to determine current and future business and IT needs. Based on this assessment, the bureau developed an enhanced IT strategic plan and roadmap that will be executed over the next five years. The IT roadmap will transition the Mint's supply chain management environment from disparate technologies and silo applications to a more cohesive solution based on an Enterprise Resource Planning (ERP) approach. The goal is to implement solutions that simplify the IT environment, eliminate redundant applications and integrate all necessary components that draw data from a common source. This plan is intended to generate substantial annual savings by eliminating costs necessary to maintain the current environment and integrate multiple technologies.

The IT roadmap will also involve integration of multiple websites, unification of sales channels and data consolidation. The Mint's external web presence is divided currently between commerce and non-commerce sites. Usability studies, as well as feedback from the public, indicate that the current web presence creates an inconsistent and inconvenient experience for visitors to the sites. Moreover, information about the Mint's numismatic customers is in disparate systems that prevent the Mint from effectively communicating with and providing service to its customers. Unifying sales channels and consolidating data into one information repository will provide for better tracking of site-visitor behavior, improve communication, and ultimately improve sales and customer service. Data consolidation will also provide better information sharing and transparency. Ultimately, the bureau will create a unified internet presence and a seamless browsing experience for visitors seeking to obtain public information about the Mint or purchase numismatic products. The Mint is exploring cloud-based solutions and anticipates considerable cost savings by eliminating one of two vendors currently providing operation support for web sites and removing duplicate hardware and infrastructure services.

In addition to technological advances, the Mint places high value on IT governance. IT investments and projects are reviewed monthly by the CIO to ensure they are within cost, on schedule and meeting established performance metrics. During this review, any high-risk investments or projects that are underperforming, over budget or behind schedule are identified. High-level decisions regarding the termination of an investment require consultation with the internal bureau user, the IT Department and Mint executive team. Substantial changes to the Mint's technical architecture are governed by the Architecture Review Board, and facilitated by its Chief Enterprise Architect. Operational activities are monitored by the Mint Configuration Control Board.

A summary of capital investment resources, including major information technology and non-technology investments is available.

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