

## United States Mint

### *Program Summary by Budget Activity*

Dollars in Thousands

| Budget Activity                    | FY 2019            | FY 2020            | FY 2021            | FY 2020 to<br>FY 2021 |
|------------------------------------|--------------------|--------------------|--------------------|-----------------------|
|                                    | Actual             | Estimate           | Estimate           | % Change              |
| Manufacturing                      | \$1,555,462        | \$2,537,795        | \$2,547,197        | 0.37%                 |
| <b>Total Cost of Operations</b>    | <b>\$1,555,462</b> | <b>\$2,537,795</b> | <b>\$2,547,197</b> | <b>0.37%</b>          |
| <b>Full-time Equivalents (FTE)</b> | 1,536              | 1,671              | 1,705              | 2.03%                 |

### *Summary*

In Fiscal Year (FY) 2021, the Mint's total estimated budgetary requirements for operations, metal, and capital investments are \$2.55 billion. This budget will support the production of 14 billion circulating coins, as well as the production of bullion and other numismatic products sufficient to meet customer demand. The Mint has one budget activity: manufacturing, which encompasses the bureau's two major programs, circulating coinage and numismatic products (including bullion coins, collector coins, and national medals).

To maintain its reputation as one of the finest mints in the world, the Mint is committed to operating according to the core values of service, quality, and integrity. The Mint has three strategic goals to help fulfill its mission and values: 1) Advancing our circulating mission through innovation and technology; 2) Fostering a safe, flexible, diverse and engaged workforce; 3) Introducing diverse products to new customers and revitalizing the Mint customer base through the use of industry-proven marketing approaches. The Mint is currently updating their goals and expects to release a new plan in FY 2020. The goals in the plan align with Treasury Strategic Goal 1: Boost U.S. Economic Growth and Goal 5: Achieve Operational Excellence.

Mint operations are funded through the Mint Public Enterprise Fund (PEF), 31 U.S.C. § 5136. The Mint generates revenue through the sale of circulating coins to the Federal Reserve Banks (FRB), numismatic products to the public, and bullion coins to authorized purchasers. All circulating and numismatic operating expenses, along with 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. The Mint's key priorities for FY 2021 include:

- Circulating - Efficiently and effectively mint and issue approximately 14.0 billion circulating coins in FY 2021 to meet the needs of commerce.
- Numismatic Program Bullion Products - Mint and issue bullion coins to meet customer demand efficiently and effectively.
- Other Numismatic Products - Produce and distribute numismatic products in sufficient quantities, through appropriate channels, to make them accessible, available, and affordable to people who choose to purchase them. Design, strike, and prepare for presentation Congressional Gold Medals.

## Budget Highlights

Dollars in Thousands

|   | FTE          | Materials          | Operating & Capital | Total              |
|---|--------------|--------------------|---------------------|--------------------|
| <b>FY 2020 Original Estimate</b>                                  | <b>1,705</b> | <b>\$2,270,000</b> | <b>\$458,168</b>    | <b>\$2,728,168</b> |
| <b>Program Changes</b>  |              |                    |                     |                    |
| Program Decreases:  | (34)         | (\$190,000)        | (\$7,669)           | (\$197,669)        |
| Metal Due to Forecasted Decrease in Circulating Coin Metal Prices | 0            | (\$30,000)         | \$0                 | (\$30,000)         |
| Metal Due to Forecasted Decrease in Bullion Production            | 0            | (\$160,000)        | \$0                 | (\$160,000)        |
| FTE Reduction   | (34)         | \$0                | (\$4,097)           | (\$4,097)          |
| Operating Efficiencies  | 0            | \$0                | (\$3,572)           | (\$3,572)          |
| Program Increases:  | 0            | \$0                | \$7,296             | \$7,296            |
| FedRAMP Remediation Activities                                    | 0            | \$0                | \$4,000             | \$4,000            |
| Pay Raise (3.1% average pay raise)                                | 0            | \$0                | \$3,296             | \$3,296            |
| Subtotal Program Changes  | (34)         | (\$190,000)        | (\$373)             | (\$190,373)        |
| <b>FY 2020 Revised Estimate</b>                                   | <b>1,671</b> | <b>\$2,080,000</b> | <b>\$457,795</b>    | <b>\$2,537,795</b> |
| <b>Changes to Base</b>  |              |                    |                     |                    |
| Maintaining Current Levels (MCLs)                                 | 0            | \$0                | \$10,856            | \$10,856           |
| Pay Annualization (2020 3.1% average pay raise)                   | 0            | \$0                | \$1,629             | \$1,629            |
| Pay Raise (1.0% average pay raise)                                | 0            | \$0                | \$1,588             | \$1,588            |
| FERS Contribution Increase  | 0            | \$0                | \$2,686             | \$2,686            |
| Non-Pay   | 0            | \$0                | \$4,953             | \$4,953            |
| Workforce and Succession Planning                                 | 34           | \$0                | \$4,901             | \$4,901            |
| Efficiency Savings  | 0            | \$0                | (6,355)             | (\$6,355)          |
| Cyber Security  | 0            | \$0                | (\$1,500)           | (\$1,500)          |
| Operating Efficiencies  | 0            | \$0                | (\$4,855)           | (\$4,855)          |
| Subtotal Changes to Base  | 34           | \$0                | \$9,402             | \$9,402            |
| <b>FY 2021 Estimate</b>   | <b>1,705</b> | <b>\$2,080,000</b> | <b>\$467,197</b>    | <b>\$2,547,197</b> |

## FY 2021 Budget Adjustments

### Adjustment to Estimate

**Program Decreases.....-\$197,669,000 / -34 FTE**

**Metals Due to Forecasted Increase in Circulating Coin Metal Prices -\$30,000,000 / -0 FTE**

FY 2020 forecasted circulating coin production will remain constant at 14.0 billion coins for the year. However, metal prices are forecasted to decrease. The net result is an overall decrease to circulating coin program costs.

**Metals Due to Forecasted Decrease in Bullion/Numismatic Production -\$160,000,000 / -0 FTE**

FY 2020 forecasted demand for the bullion coin program decreased by 7 percent, causing a decrease of \$200M in bullion coin program costs. Conversely, numismatic program sales are forecasted to increase by 6 percent, causing a nominal increase of \$40M in metal costs. The net result of the numismatic and bullion program is an overall decrease in program costs.

**FTE Reduction -\$4,097,000 / -34 FTE**

Salary savings will be realized through natural attrition across all directorates.

Operating Efficiencies -\$3,572,000 / -0 FTE

The Mint will reduce its operating budget by continuing to monitor costs and implement various savings strategies.

**Program Increases..... +\$7,296,000 / +0 FTE**

FedRAMP Remediation Activities +\$4,000,000 / +0 FTE

The Federal Risk Authorization Management Program (FedRAMP) certification is mandatory for cloud providers who wish to provide services to the Federal government. PFS (Priority Fulfillment Services), the service provider for the Mint's OMS II system, has identified system gaps that are non-compliant with FedRAMP requirements. In an effort to address these gaps, funding is needed to provide remediation solutions to bring PFS and the Mint's OMS II system into compliance.

Pay Raise (3.1% in 2020) +\$3,296,000 / +0 FTE:

Funds are required for a 3.1% average pay raise in January 2020.

**Maintaining Current Levels (MCLs)..... +\$10,856,000 / +0 FTE**

Pay Annualization (3.1%) +\$1,629,000 / +0 FTE:

Funds are required for annualization of the January 2020 3.1% average pay raise.

Pay Raise (1.0% in 2021) +\$1,588,000 / +0 FTE:

Funds are required for a 1.0% average pay raise in January 2021.

FERS Contribution Increase +\$2,686,000 / +0 FTE

Funds are required for the Federal Employee Retirement System (FERS) contribution rates effective FY 2021.

Non-Pay +\$4,953,000 / +0 FTE

Funds are required for non-labor expenses such as travel, contracts, rent, supplies, and equipment.

**Workforce and Succession Planning..... +\$4,901,000 / +34 FTE**

Workforce and Succession Planning +\$4,901,000 / +34 FTE

The Mint has implemented initiatives to increase its FTE level. These initiatives include using intern programs to transfer knowledge and reduce risks from retirement eligible workforce, fill key vacancies more timely, and using flexible hiring authorities to shorten the lengthy hiring process where appropriate.

**Efficiency Savings ..... -\$6,355,000 / -0 FTE**

Cyber Security -\$1,500,000 / -0 FTE

The cyber security program will reduce contract spending by insourcing some security assessment and authorization (SA&A) and audit management functions. Areas of focus include supporting FedRAMP activities in the OMS II program, and conducting risk assessments for industrial control systems.

### Operating Efficiencies -\$4,855,000 / -0 FTE

The Mint will continue to fund the operating and capital budgets at levels comparable to prior years, and reduce costs through continuous monitoring and implementing cost savings strategies as appropriate. These strategies include prioritizing Mint activities to ensure that operating costs are maintained.

### ***Legislative Proposals***

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#### **Capital Legislative Increase**

The Mint's investments in capital are a critical part of regular manufacturing operations. To continue effective coin production, equipment replacements and facility maintenance is mandatory. Over time, the legislative limit on the Mint's capital budget has proven insufficient. Rather than upgrading and replacing worn and obsolete equipment as needed, under the current funding limit, capital projects must be prioritized and funded based on budget availability. This process has caused many needed projects to be postponed to out-years. Continuing to defer replacement of equipment presses, for example, creates the risk of additional downtime due to unexpected failures. This could substantially impact production schedules. Deferred replacement of presses also creates a cost risk associated with contracting the manufacturer to make emergency repairs. As such, the Mint's need for capital investments becomes more critical each year. The current limitation of \$30 million for circulating and protection capital is below the amount needed to meet capital investment requirements.

The bureau has identified an urgent need to increase its legislative limit by \$20 million. This will raise the current limit from \$30 million to \$50 million beginning in FY 2021. The increased capital limit will allow the Mint to execute a comprehensive capital investment strategy that focuses on safety, equipment replacements, protection, and facility improvements (see additional details in Section III).

#### **Alternative Metal Composition**

This proposal would give the Secretary the authority to prescribe the compositions of the 5-cent, dime, and quarter-dollar coins, provided that the new metal compositions do not affect the Electromagnetic Signature (EMS), the color, and weight of the coins. By authorizing the Secretary the flexibility and agility to implement small changes to the copper-nickel circulating coin metal compositions, the Mint could realize incremental material savings with little or no impact to the vending industry and general public.

#### **New Proposal: Circulating Commemorative Coin Redesign**

Estimated revenue: Approximately \$8 billion over the life of the program, depending on program specifics

Circulating commemorative coin programs are very popular and generate significant revenue for the United States Mint and ultimately the general fund of the Treasury. To better advance the hobby of collecting coins and medals, the Mint requires authority for circulating commemorative programs that are shorter term in nature; are based on subject matter that will drive the program through sustainable, recognizable, and relatable themes; and that can appeal to a broad range of Americans and attract new collectors, especially youth.

The proposed Circulating Commemorative Coin Redesign Act (CCCRA) proposes new circulating and numismatic programs. In particular, the CCCRA would introduce a new quarter and half dollar program following the current America the Beautiful (AtB) Quarters Program, which will end in 2021. Because the AtB Quarters Program is scheduled to be discontinued in 2021, authorizing new circulating commemorative coin programs will contribute to the longevity and long-term growth of the Mint, serve the public interest, and deliver increased revenue to the Mint and the Department of the Treasury General Fund that otherwise may not be realized.

The Mint is proposing a new series of themes for circulating coins as a compelling way to engage young collectors and grow the Mint’s circulating and numismatic revenue. The themes proposed are quarter dollars and half dollars that represent historical milestones.

### ***Performance Highlights***

| Budget Activity | Performance Measure                    | FY 2017<br>Actual | FY 2018<br>Actual | FY 2019<br>Actual | FY 2020<br>Target | FY 2021<br>Target |
|-----------------|--|-------------------|-------------------|-------------------|-------------------|-------------------|
| Manufacturing   | Customer Satisfaction Index (%)        | 91.7              | 93.6              | 93.6              | 90.0              | 90.0              |
| Manufacturing   | Numismatic Sales Units (Million Units) | 3.9               | 3.3               | 4.3               | 3.8               | 3.0               |
| Manufacturing   | Safety Incident Recordable Rate        | 1.96              | 1.90              | 1.45              | 2.32              | 2.25              |
| Manufacturing   | Seigniorage per Dollar Issued (\$)     | 0.45              | 0.37              | 0.40              | 0.36              | 0.36              |

### ***Description of Performance***

#### ***Customer Satisfaction Index (CSI)***

The Mint conducts a quarterly survey of a random sample of active numismatic customers. The survey is intended to capture customer satisfaction with the Mint’s service performance as a coin products supplier and with the quality of specific products. The CSI metric is a quantitative score summarizing the survey’s results into one consolidated value. This metric gauges performance results in the effort to achieve the Mint’s internal strategic plan goal, “Improve mission critical activities and governance,” and the Mint’s internal strategic objective linked to this goal, “Drive a customer-centric organization.” This also aligns with the Treasury Department strategic objective linked to this goal, “5.3 Customer Value and Experience.”

In FY 2019, the CSI was 93.6 percent, exceeding its 90.0 percent target. The Mint was able to exceed its target by providing high-quality products, adding innovative features, and improving the Mint’s customer loyalty program. The Mint anticipates that the CSI will remain steady and, thus, has set the target at 90.0 percent for FY 2020 and FY 2021.

#### ***Numismatic Sales Units***

The numismatic sales unit metric measures public demand for coin products sold from numismatic operations. This metric also measures performance results achieving the Mint’s internal strategic plan goal, “Improve mission critical activities and governance” and the Mint’s internal strategic objective linked to this goal, “Drive a customer-centric organization.” This also aligns with the Treasury Department strategic objective linked to this goal, “5.3 Customer Value and Experience.”

Numismatics product sales for FY 2019 totaled 4.3 million units, exceeding the 3.9 million target. The Mint's numismatic unit sales grew substantially in FY 2019, driven by the popular Apollo 11 program, but the environment for numismatic sales overall remains challenging. The performance target for numismatic sales units is 3.8 million for FY 2020 and 3.0 million for FY 2021. Targets are representative of the programs for that year. Therefore, targets vary year over year. To meet these targets, the Mint will continue to provide high-quality products and maintain outstanding customer service, and deepen engagement with coin collectors.

### ***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, or medical treatment. The safety incident recordable rate indicates performance results in the effort to achieve the Mint's internal strategic plan goal, "Foster a safe, flexible, diverse, and engaged workforce," and the corresponding Mint internal strategic objective linked to this goal, "Continue to cultivate a safe working environment." These also align with the Treasury Strategic Goal "5.1 Workforce Management."

In FY 2019, the total recordable case rate reached 1.45, well below the Mint's 2.39 FY 2019 target, and significantly below the most recent industry average rate of 4.9 for comparable private sector manufacturing operations. During FY 2019, the Mint continued implementing and updating risk management guidelines to prioritize resources and mitigate risks in advance of injuries or catastrophic events at each plant. Mint facility leadership and employees continue to interact on a daily basis on the importance of safety. The performance targets for the safety incident recordable rate are 2.32 for FY 2020 and 2.25 for FY 2021.

### ***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 circulating coins shipped to the FRBs. Seigniorage is the difference between the face value and cost of producing circulating coinage. It measures the cost effectiveness of minting and issuing the United States' circulating coinage. It also measures performance results in achieving the Mint's internal strategic plan goal, "Improve mission critical activities and governance," as well as the Mint's internal strategic objective linked to the goal, "Improve mission critical activities and governance." This also aligns with the Treasury Strategic Goal "1.3 Trusted Currency and Services." At the end of FY 2019, Seigniorage per Dollar Issued was \$0.40, above the FY 2019 performance target of \$0.36. The FY 2019 increase is a result of lower metal costs for all denominations. The Seigniorage per Dollar Issued performance targets are set at \$0.36 for both FY 2020 and FY 2021.