



**CONGRESSIONAL BUDGET OFFICE
PAY-AS-YOU-GO ESTIMATE**

November 18, 1997

S. 1228
50 States Commemorative Coin Program Act
As cleared by the Congress on November 13, 1997

SUMMARY

S. 1228 would require the U.S. Mint to make changes to the quarter-dollar and one-dollar coins and to issue three coins commemorating the 100th anniversary of the first flight at Kitty Hawk, North Carolina. CBO estimates that enacting S. 1228 would decrease direct spending by \$40 million over the 1998-2007 period. The following table summarizes the projected changes in direct spending from enacting S. 1228 for fiscal years 1998 through 2007. For purposes of enforcing pay-as-you-go procedures, only the effects in the budget year and the succeeding four years are counted. CBO estimates that S. 1228 would increase direct spending by about \$1 million in 1998, but would decrease direct spending by a net amount of \$15 million over the 1998-2002 period.

Estimated Effects of S. 1228 on Direct Spending and Receipts

	By Fiscal Year, in Millions of Dollars									
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Changes in outlays										
50 States Quarters	0	-8	-5	-5	-5	-5	-5	-5	-5	-5
New One-Dollar Coin	<u>1</u>	<u>3</u>	<u>3</u>	<u>1</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total	1	-5	-2	-4	-5	-5	-5	-5	-5	-5
Changes in receipts					Not applicable					

50 STATES CIRCULATING COMMEMORATIVE QUARTER PROGRAM

S. 1228 would direct the Secretary of the Treasury to design and issue a series of quarters commemorating the 50 states over a 10-year period beginning in 1999. The legislation would authorize the Mint to sell silver replicas of the redesigned 50 states quarters—both in proof and uncirculated varieties. CBO estimates that enacting this provision would decrease direct spending by \$23 million over the 1998-2002 period and by a total of \$48 million over the 1998-2007 period.

CBO assumes the Mint would sell a five-coin proof set at a price of around \$30, which would cover the full cost of the set and provide it with a margin of profit consistent with past silver proof sets. We also assume the Mint would sell each uncirculated silver quarter at a price equal to the spot price of silver plus a markup of 3 percent. Because the silver replicas would be sold as a commercial product, the receipts would constitute offsetting collections to the Mint. Based on information provided by the Mint, including historical sales and profit data for past silver proof and uncirculated designs, CBO estimates that the sale of the silver replicas would increase offsetting collections to the Mint by about \$10 million each year for a total of \$90 million over the 1999-2007 period. This estimate assumes that, on average, the Mint would sell about 1 million five-coin proof sets each year, which would generate the \$10 million in profits. CBO expects that the profits earned in any one year from selling uncirculated versions of the quarters would not be significant.

Public Law 104-52, which established the U.S. Mint Public Enterprise Fund, requires the Mint to transfer any excess funds to the general fund of the Treasury at least annually. For the purposes of this estimate, CBO assumes that the Mint would retain about one-half of the \$10 million in increased offsetting collections generated from annual sales of the silver replicas. We estimate that about half of the amount retained would be spent in the same fiscal year, with the other half spent in the following fiscal year. In total, net direct spending would decrease by less than \$50 million over the 1998-2007 period, or by about one-half of the increase in offsetting collections to the Mint.

NEW ONE-DOLLAR COIN

S. 1228 would replace the current Susan B. Anthony one-dollar coin with a new one-dollar coin. The new one-dollar coin would be golden in color and have distinctive tactile and visual features but would have the same diameter and weight as the current coin. According to the Mint, it would need at least 30 months to design, test, and produce a new one-dollar coin for circulation. Thus, CBO expects that the new coin would not begin circulating before

the middle of fiscal year 2000. CBO estimates that producing a new one-dollar coin would increase direct spending by between \$5 million and \$10 million over the 1998-2001 period.

Previously, the Mint has estimated costs of about \$93 million to purchase the necessary infrastructure and materials and to design and promote a new one-dollar coin. That estimate, however, assumed that the one-dollar bill would be eliminated, and that the Mint would produce an initial supply of approximately 9 billion coins to meet the public's demand for one-dollar currency. Under S. 1228, CBO expects the public's annual demand for one-dollar coins would approximate the roughly 50 million Susan B. Anthony coins currently added to the nation's circulation of coins each year. Thus, based on information provided by the Mint, CBO estimates start-up costs under S. 1228 of between \$5 million and \$10 million. That estimate includes the costs to research, design, and test the new coin and to market it to the public. CBO estimates the Mint would also incur costs of less than \$500,000 in fiscal year 2001 to study the effects of the marketing program and report its results to the Congress by March 31, 2001.

S. 1228 also would authorize the Mint to include the redesigned dollar coin in coin sets sold as commercial products to the public. The Mint currently offers a five-coin proof set, a five-coin silver proof set, and a 10-coin uncirculated set. Adding a redesigned dollar coin to one or all of these sets could increase offsetting collections to the U.S. Mint Public Enterprise Fund if its addition increases collectors' interest in the sets. It is uncertain whether the Mint would add a redesigned dollar coin to each of these sets. Given the addition of the commercial items that would be included under the 50 states quarter program, as well as the Mint's recent introduction of platinum coins and its expected first-time issue of .9999 fine gold coin sets, CBO estimates that even if the Mint does include the new dollar coin, any increase in offsetting collections from the sale of all commercial products would be small—perhaps several million dollars in the first two years—and largely one-time. In addition, CBO estimates that the Mint would retain and spend any additional collections, resulting in no net budgetary effect over time.

COMMEMORATIVE COINS

S. 1228 would direct the Mint to produce and issue three coins commemorating the 100th anniversary of the first flight at Kitty Hawk, North Carolina. CBO estimates that the provision would have no net budgetary effect over the 1998-2007 period. The legislation could raise as much as \$9.25 million in surcharges if the Mint sold the maximum mintage level authorized for each coin, although the experience of recent anniversary-based commemoratives suggests that sales would be less than the authorized total of 1.35 million coins. Because S. 1228 would require that the Mint transfer all surcharges to the First Flight

Foundation, a nonfederal entity, proceeds from surcharges would have no net budgetary impact over time. We expect that the Mint would retain and spend any additional net proceeds generated from such sales to fund other commercial activities.

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