CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE

February 25, 2003

H.R. 258
American 5-Cent Coin Design Continuity Act of 2003

As ordered reported by the House Committee on Financial Services on February 13, 2003

SUMMARY

H.R. 258 would authorize the U.S. Mint to temporarily make changes to the design of the 5-cent coin to be issued in 2003, 2004, and 2005 to commemorate the 1803 Louisiana Purchase or the Lewis and Clark expedition. CBO estimates that enacting this bill would decrease direct spending by $2 million over the 2003-2007 period because the new design would generate increased sales of mint coin sets. H.R. 258 contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act (UMRA) and would not affect the budgets of state, local, or tribal governments.

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary impact of H.R. 258 is shown in the following table. The effects of this legislation fall within budget function 800 (general government).

	By Fiscal Year, in Millions of Dollars					
	2003	2004	2005	2006	2007	2008
CHANGES IN DIRECT SPENDING						
Estimated Budget Authority	0	-1	-1	*	0	0
Estimated Outlays	0	-1	-1	*	0	0

NOTE: * = less than -$500,000.

In addition to the budgetary effects summarized in the table, by increasing the public's holding of coins, H.R. 258 also would provide the government with additional resources for financing the federal deficit. The seigniorage (or profit) from placing the additional coins in circulation—the difference between the face value of the coins and the cost of production—would reduce the amount the government needs to borrow from the public. CBO estimates that seigniorage resulting from the bill would amount to about $15 million annually for a two-year period. Under the principles established by the President's 1967 Commission on Budget Concepts, seigniorage does not directly affect the budget but is treated as a means of financing the deficit.

BASIS OF ESTIMATE

Direct Spending

H.R. 258 would authorize the U.S. Mint to temporarily change the design of the current 5-cent coin over the 2003-2005 period. According to the Mint, it would take approximately 6 months to design, test, and produce a new 5-cent coin for circulation. Thus, assuming this bill is enacted late in fiscal year 2003, CBO expects that the new coin would begin circulating around the middle of fiscal year 2004. CBO estimates that designing and preparing dies for a new 5-cent coin would cost less than $100,000 in 2004.

CBO assumes the Mint would sell 5-coin and 10-coin proof and silver sets of the redesigned 5-cent coin. Based on information provided by the Mint and historical sales and profit information for the 50 States Circulating Commemorative Quarter Program, CBO estimates that sales of the 5-cent coin in various mint sets would increase offsetting collections to the Mint by about $4 million over the 2003-2007 period.

Based on the cost of previous mint set issues, CBO estimates that the Mint would retain and spend about one-half of the $4 million in increased offsetting collections to cover the costs of producing the coins. The Mint must transfer any excess funds it generates from mint set sales to the general fund of the Treasury. Net receipts to the Treasury, therefore, would total about $2 million.

Seigniorage

Based on the experience of the 50 States Commemorative Quarter Program, CBO expects that enacting the bill would cause the Mint to double the production of nickels because many individuals retain and collect the new coins. The seigniorage, or profit, from placing additional coins in circulation would reduce the amount the government borrows from the public. Nickel production has averaged approximately 1.5 billion a year over the past decade, and the seigniorage is about 1 cent per coin. CBO expects that nickel production would double to 3 billion coins for two years, so seigniorage earned by the federal government would increase by about $30 million over the 2004-2006 period.

INTERGOVERNMENTAL AND PRIVATE-SECTOR IMPACT

H.R. 258 contains no intergovernmental or private-sector mandates as defined in UMRA and would not affect the budgets of state, local, or tribal governments.

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