



**CONGRESSIONAL BUDGET OFFICE  
COST ESTIMATE**

June 23, 2004

**H.R. 3916  
Presidential \$1 Coin Act of 2004**

*As ordered reported by the House Committee on Financial Services on June 3, 2004*

**SUMMARY**

H.R. 3916 would authorize the U.S. Mint to make changes to the design of the \$1 coin and issue \$10 gold bullion coins. CBO estimates that enacting this bill would decrease direct spending by \$6 million over the 2005-2014 period. (The bill would not affect revenues.) H.R. 3916 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.

**MAJOR PROVISIONS**

Beginning in 2006, H.R. 3916 would direct the Secretary of the Treasury to replace the current Golden Dollar coin with a series of \$1 coins commemorating all former U.S. Presidents. The coins would have an image of a former President and the reverse would feature an image of the Statue of Liberty. Under the bill, the Mint could produce additional quantities of the Golden Dollar coins until the new coin was ready for circulation. The Mint would issue four different \$1 coins a year in the order of the period of service of each President starting with George Washington. The bill would authorize the Mint to sell \$1 coins in proof and uncirculated versions. H.R. 3916 would not terminate production of the \$1 bill.

In addition, H.R. 3916 would direct the U.S. Mint to produce a gold bullion coin honoring the spouses of former Presidents. The new gold bullion coins would be produced in sequence with the \$1 Presidential coins. In addition, the bill would authorize the Mint to sell bronze copies of the gold bullion coin.

## ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary impact of H.R. 3916 is shown in the following table. The costs of this legislation fall within budget function 800 (general government).

	By Fiscal Year, in Millions of Dollars									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
<b>CHANGES IN DIRECT SPENDING</b>										
Presidential \$1 Coin										
Estimated Budget Authority	2	1	0	0	0	0	0	0	0	0
Estimated Outlays	2	1	0	0	0	0	0	0	0	0
First Spouse Gold Bullion Coin										
Estimated Budget Authority	0	*	-1	-1	-1	-1	-1	-1	-1	-1
Estimated Outlays	0	*	-1	-1	-1	-1	-1	-1	-1	-1
Net Changes in Direct Spending Under H.R. 3916										
Estimated Budget Authority	2	*	-1	-1	-1	-1	-1	-1	-1	-1
Estimated Outlays	2	*	-1	-1	-1	-1	-1	-1	-1	-1

NOTE: \* = offsetting receipts of less than \$500,000.

In addition to the budgetary effects summarized in the table, by increasing the value of coins held by the public, H.R. 3916 also would provide the government with additional resources for financing the federal deficit. Seigniorage (or profit)—the difference between the face value of the coins and the cost of production—reduces the amount the government would otherwise need to borrow from the public to finance the federal budget deficit. CBO estimates that seigniorage resulting from the value of additional coins in circulation under the bill would amount to about \$340 million over the 2005-2014 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

**Presidential \$1 Coin Program.** H.R. 3916 would replace the current Golden Dollar coin with a new \$1 Presidential coin. The Presidential coin would have distinctive tactile and

visual features that include moving the issue date, mint mark and other mottos to the edge of the coin. The bill would authorize the Mint to produce quantities of the Golden Dollar coin until the new coin was ready for circulation. According to the Mint, it would need at least 18 months to design, test, and produce a new \$1 Presidential coin for circulation. Thus, assuming this bill is enacted within the next several months, CBO expects that the first two new coins would begin circulating by the middle of fiscal year 2006. CBO estimates start-up costs for producing a new \$1 coin would increase direct spending by about \$3 million over the 2005-2006 period, based on the experience of prior new issues by the Mint.

H.R. 3916 would authorize the Mint to include the new \$1 coin in collector coin sets sold to the public. Adding a new \$1 coin to the Mint's current sets could increase offsetting collections to the U.S. Mint Public Enterprise Fund if the new coin increases collectors' interest in the sets. However, any increase in offsetting collections from the sale of commercial products would be available to the Mint to retain and spend and would have a negligible net budgetary impact over time.

**First Spouse Bullion Coin.** H.R. 3916 would direct the Mint to produce a gold bullion coin, for investors, honoring the spouses of former Presidents. The new gold bullion coin would be produced in the same sequence as the \$1 Presidential coins. The bullion coin would feature an image of the spouse of the former President and the reverse would feature an image of her life and work. CBO expects that the first gold bullion coins would be ready at the same time as the \$1 Presidential coin.

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. Based on information from the Mint and the numismatic community, CBO expects that the First Spouse gold bullion coin would generate sales similar to recent commemorative coins. In addition, the Mint could sell bronze duplicates to the public; however, based on the sales of previous duplicates, we do not expect that those sales would be large. CBO estimates that the Mint would produce about 10,000 gold bullion coins annually generating about \$1 million a year in excess funds that would be recorded in the budget as offsetting receipts.

## **Seigniorage**

In addition to the bill's effects on direct spending, by increasing the public's holding of dollar coins, H.R. 3916 also would result in additional federal resources for financing the deficit. The seigniorage, or profit, from placing the new coins in circulation would reduce the amount the government would otherwise borrow from the public to finance the deficit. By substituting a new \$1 Presidential coin for the current Golden Dollar coin, the legislation would increase the seigniorage earned if the new \$1 coin is more widely circulated.

A General Accounting Office report (GAO-02-896, September 2003) noted that, after a multimillion dollar marketing and advertising campaign, the Golden Dollar, like the Susan B. Anthony \$1 coin, has not achieved widespread use. It has increased the public's interest in collecting the \$1 coin but is not widely circulating. A barrier to the public's acceptance of a \$1 coin is the continued circulation of the \$1 bill, which would not be eliminated by H.R. 3916.

The Mint's 50 State Quarters program, involving a set of recurring designs commemorating each state, has been credited with generating renewed interest in holding more coins by collectors and the public. The production of quarters increased from 1.7 billion coins in fiscal year 1998 to over 6 billion in fiscal year 2000 when the 50 State Quarters program began. By fiscal year 2003, demand for quarters had fallen to about 2.5 billion quarters. The Mint estimates that the 50 State Quarters program has generated about \$4 billion in seigniorage since the program began in 1999.

Taking into account the experience of the 50 State Quarters program, information from the numismatic community, and the public's continued resistance to the use of dollar coins, CBO expects that the new \$1 Presidential coin would increase the public's interest in collecting coins but it would continue to face barriers to widespread circulating use. CBO expects that most of the demand for the \$1 Presidential coin would be from collectors. According to the Mint, the federal government is currently putting into circulation about 55 million Golden Dollar coins annually, with seigniorage of 82 cents per coin. CBO expects that demand for the new \$1 Presidential coin would triple the current demand for the dollar coin to about 150 million annually in 2007, and then follow the experience of the 50 State Quarters program. Hence, CBO estimates that replacing the Golden Dollar with the \$1 Presidential coin would increase seigniorage by \$340 million over the 2005-2014 period.

## **INTERGOVERNMENTAL AND PRIVATE-SECTOR IMPACT**

H.R. 3916 contains no intergovernmental mandates as defined in UMRA and would not affect the budgets of state, local, or tribal governments.

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