



DEPARTMENT OF THE TREASURY
UNITED STATES MINT
WASHINGTON, D.C. 20220

May 6, 2008

DIRECTOR
OF THE
MINT

The Honorable Barney Frank
Chairman
Committee on Financial Services
U.S. House of Representatives
Washington, D.C. 20515

Dear Mr. Chairman:

The United States Mint opposes H.R. 5512 (discussion draft dated 4/28/08), the Coin Modernization and Taxpayer Savings Act of 2008 (Act), which the House of Representatives may consider in the near future.

The requirement to produce a one-cent coin made primarily of steel just 270 days after enactment is an unrealistic timeframe that is not in the best interests of the public. The United States Mint has suggested 18-24 months as a reasonable period in which to engage the public in the important process of determining the materials to be used for its new coinage; secure the benefits of research and testing of various materials; make the required capital investment in production equipment; obtain the benefits of open competitive bidding for materials; and implement any required production line changes for the nearly eight billion one-cent coins normally produced annually by our two circulating coin production facilities.

The United States Mint had also recommended an open and deliberative regulatory process, as incorporated in H.R. 3330, to seek public and industry comment to ensure that the Government considers all factors relevant to the acceptability of new coinage materials. We believe that the public input and objective analysis required by such a process represent the most promising approach for achieving a permanent solution to address the cost of producing the Nation's coinage.

Other provisions of the bill are too prescriptive and limiting to allow for the successful implementation of the Act without severely jeopardizing significant and lasting cost savings for the American taxpayer.

Sincerely,

Edmund C. Moy
Director
United States Mint

Enclosure

cc: The Honorable Spencer Bachus
Ranking Member, Committee on Financial Services

**UNITED STATES MINT OBJECTIONS TO THE “COIN MODERNIZATION AND
TAXPAYER SAVINGS ACT OF 2008”
H.R. 5512 (Discussion Draft 4/28/08)**

- H.R. 5512 does not delegate the authority to determine metal content of circulating coins to the Secretary of the Treasury as proposed in H.R. 3330—a measure that will afford public participation, as well as the necessary flexibility, transparency, and objectivity, in the process.
- H.R. 5512 mandates that the one-cent coin be made “primarily” of steel within 270 days of enactment—a measure that has not yet been proven to be the best alternative:
 - It will be impracticable to implement within the allotted time, knowing the availability of materials, production capacity, and changes to plant operations both for the fabricator and for United States Mint facilities. It will likely not reduce the cost of a one-cent coin to below face value and, until we have tested our ability to produce it and captured the significant capital expenditures that the change may require, the mandated steel cent may actually cost the taxpayers more than the current zinc cent.
 - We respect Congress’s unquestionable authority to make such a change, but we believe that changes to the Nation’s coinage could benefit from using the open process provided for in H.R. 3330 that will seek public and industry comment to ensure that the Government considers all factors relevant to the acceptability of new coinage materials before final material selections are made.
 - The 270-day mandate to make steel pennies will invariably require a “no-bid” contract to the one domestic supplier capable of producing the volume of planchets required, thereby creating a monopoly for the coinage material, possibly driving costs up even further.
 - Even though this draft provides the Secretary authority to add an element to the zinc/copper alloy of the penny as an alternative, there is no prospect of making such a change that would reduce the cost of the coin below its face value, as this provision would require.
- H.R. 5512 prevents or inhibits a change to lower cost materials when a coin can be minted and issued for less than its face value. This ignores the possibility of achieving significant savings for the taxpayers by changing to acceptable, functional alternative materials that may cost substantially less than the current coinage alloys.
- H.R. 5512 does not allow for alternating changes or multiple materials. This feature of the Department’s proposal (and in H.R. 3330) would allow the Secretary to change from one material to another, or occasionally switch back and forth between two materials (as Canada does), to acquire them at the lowest cost to the taxpayer. H.R. 5512 similarly prevents multiple materials—a feature that could allow the United States Mint to leverage competition and broaden its supplier base by using different coinage materials when they can

be manufactured in a manner that is indiscernible to the public and to vending machines.

- H.R. 5512 requires the Secretary to “mak[e] certain, to the greatest extent practicable, any new coins work without interruption in existing coin acceptance equipment without modification.” This may limit our ability to change materials. While changeover in the vending and coin handling industries is a significant consideration, it must be weighed against the cost savings that can be achieved with the particular materials.
- H.R. 5512 has apparently contradictory provisions (e.g., the new 31 U.S.C. § 5112(c)(3)(B) seemingly contradicts section 6(d)(1)).
- H.R. 5512 contains certain provisions that unreasonably prescribe or limit the types of recommendations that the Secretary may submit to Congress (see, e.g., sections 6 (d)(1) & (2)).
- H.R. 5512 contains ambiguous, unenforceable standards for fraud prevention. Specifically, section 6(e) requires no specification for a coin “that would facilitate or allow the . . . use of any token or other easily or regularly produced metal device of minimal value.” However, any U.S. coin itself could be interpreted as an “easily or regularly produced metal device of minimal value.”
- H.R. 5512 contains permanent, burdensome, and duplicative reporting requirements.
- H.R. 5512 unnecessarily limits U.S. coinage composition to metals, when U.S. technology may be able to allow for the use of other, less expensive materials and nonmetallic alloys that can be suitably fabricated as coins.