

GAO

Report to the Chairman, Committee on
Banking, Housing, and Urban Affairs,
U.S. Senate

August 1996

U.S. MINT

Commemorative Coins
Could Be More
Profitable





United States
General Accounting Office
Washington, D.C. 20548

General Government Division

B-265768

August 7, 1996

The Honorable Alfonse M. D'Amato
Chairman, Committee on Banking, Housing, and Urban Affairs
United States Senate

Dear Mr. Chairman:

This report is in response to your request that we review the U.S. Mint's commemorative coin program. It contains matters for consideration by Congress regarding commemorative coins.

Copies of this report will be distributed to the Ranking Minority Member of this Committee, the Secretary of the Treasury, and cognizant congressional committees. Copies also will be made available to others upon request.

Major contributors to this report were John S. Baldwin, Sr., Assistant Director, and Robert Homan, Evaluator-in-Charge.

If you have any questions about this report, please call me on (202) 512-8387.

Sincerely yours,

A handwritten signature in cursive script that reads 'J. William Gadsby'.

J. William Gadsby
Director, Government Business
Operations Issues

Executive Summary

Purpose

Since 1990, Congress has authorized an increasing number of commemorative coin programs that have provided over a hundred million dollars to sponsoring organizations. At the same time, the U.S. Mint, a unit of the Treasury Department that produces the nation's coinage, reported it has incurred financial losses on some commemorative coin programs. In July 1995, the Chairman of the Senate Banking, Housing, and Urban Affairs Committee asked GAO to undertake a comprehensive review of the current commemorative coin program, including issues such as profitability and proliferation. The Chairman asked GAO to (1) report on how much the sponsors and the government have lost and gained from the program in recent years, and (2) determine what options are available to ensure that the commemorative coin program does not result in a loss to the government and what specific mechanisms would be effective in controlling the proliferation of programs.

Background

Every commemorative coin program is authorized by an act of Congress. Congress authorizes commemorative coins primarily as a means of honoring certain events and individuals and raising funds for the coins' sponsors. On occasion, the proceeds from commemorative coin sales are applied to the national debt. Commemorative coins are legal tender but are purchased and retained by collectors, rather than used as a circulating medium of exchange.

Commemorative coins are sold at several times their metal value. For example, although the 32 coins in the 1996 Olympic coin set have a total metal value of \$803, the pre-issue price is \$2,261.¹ Nevertheless, they are profitable to the government only when their selling price exceeds production, marketing, and other costs. Coin collectors purchase about 90 percent of commemorative coins, and some collectors have recently called for a boycott of commemorative coins because they are dissatisfied with the coin themes and high prices.

From 1892, when Congress authorized the first commemorative coin, through 1954, commemorative coins were sold to sponsoring organizations, which resold them to the public at higher prices as a means of fundraising. During this period, the program experienced several problems, including the authorization of more commemorative coins than the market could absorb, the charging of exorbitant prices, and the commemoration of events of only local or minor significance. According

¹The pre-issue price normally is offered during the first month of a program. According to Mint officials, with the exception of Olympic coins, about 90 percent of coin sales are made within the pre-issue period. The face value of the 32 coins in the 1996 Olympic coin set is \$60.

to the Mint, because of these problems, Congress did not approve the issuance of any commemorative coins between 1955 and 1981.

In late 1981, Congress reactivated the program by authorizing the George Washington commemorative coin. At that time, Congress acted in response to support expressed by coin collectors for issuing commemorative coins with popular themes and required that the profits be used to reduce the national debt. The program for that coin was also restructured so that the Mint, rather than the sponsors, sold the coins directly to the public and profits were used solely to reduce the national debt. However, starting with the program for 1984, the authorizing legislation for most coin programs once again allowed theme sponsors to receive financial benefits. These benefits took the form of a surcharge, which was a specific amount added to the price of each commemorative coin. The sponsors were paid the surcharges regardless of whether the Mint profited from the sale of their commemorative coins.

In 1992, Congress established the Citizens' Commemorative Coin Advisory Committee (CCCAC) with the objective of reducing the proliferation of commemorative coins. Congress charged CCCAC with making annual recommendations regarding commemorative coin themes.

Results in Brief

From 1982 to 1995, Congress authorized 22 commemorative coin programs and directed that part of the proceeds from 4 programs be used to reduce the national debt. For 19 commemorative coin programs authorized since 1982, including all 12 programs since 1992, Congress directed that coin prices include surcharges to be paid to sponsoring groups. In these situations, the program serves primarily as a fundraiser for sponsors. For the 22 programs, the government earned about \$179 million, while the sponsors earned about \$310 million on sales revenue of over \$1.6 billion.

However, during the 1990s, the Mint's commemorative coin program experienced many of the same types of problems experienced from 1892 through 1954. According to many coin collectors (who represent most of the purchasers of commemorative coins), the Director of the Mint, as well as a commemorative coin advisory committee, in recent years the number of commemorative coins has proliferated and may have saturated the market, coin prices have become higher than the customers want to pay, and some coin themes were not well accepted in the market.

Legislation authorizing coin programs states that the Mint shall take all actions necessary to ensure that the issuance of coins shall result in no net cost to the government. To comply with this, the Mint establishes prices at the inception of each program based on estimated costs (including surcharges) and estimated sales volumes. Under the existing program structure, surcharges are paid as coins are sold, beginning with the first coins sold. Therefore, if estimates of costs are exceeded, or sales volumes are not realized, losses may occur and sponsors of commemorative coin programs receive the income from the surcharges even if the Mint loses money on the programs.

In 1994, the Mint lost over \$4 million on one commemorative coin program that is now closed to further sales, while the sponsor received over \$9 million. In 1995, the Mint had three commemorative coin programs, two of which are closed to further sales. For one program, the Mint reported that it lost \$300,000 as of September 30, 1995,² while the sponsor received over \$4 million as of March 31, 1996. For a second 1995 program, as of March 31, 1996, the Mint reported that it lost \$400,000, while the sponsor received \$6 million. The third 1995 program is a 2-year program commemorating the 1996 Olympics. As of March 31, 1996, the Mint reported a loss of over \$3 million for the Olympic program, while the sponsor had received \$18 million. The Mint attributed the loss to high start-up costs incurred in 1995, which it expected to recover from 1996 sales stimulated by the Olympic summer games in Atlanta, GA.

CCCAC was established to make recommendations to Congress on commemorative coin themes and to reduce the proliferation of programs. In 1994, CCCAC recommended 11 programs for 1995 through 1999, and Congress adopted 1 of them.

CCCAC has also made several recommendations to reform the commemorative coin program that have not been adopted. These recommendations included replacing the surcharges on coins with a profit-sharing arrangement between the Mint and the sponsors and empowering the Treasury Department to select coin themes. While the recommendations could prevent the payment of surcharges when the Mint loses money, they may not adequately address other problems cited by many coin collectors, the Mint Director, and the advisory committee—namely the proliferation of coins, high prices, and coins that are not well accepted in the market. Although the House of Representatives passed a bill in 1995 that would bar the payment of

²More current profit or loss data from the Mint on this program are not yet available.

surcharges to sponsors until the Mint recovers its costs, the Senate has not yet acted on this legislation.

CCCAC also recommended that Congress authorize circulating commemorative coins, which are coins sold at face value with distinctive designs that circulate and are used by the general public for legal tender, as well as collected. A circulating commemorative coin program would be somewhat similar to the Postal Service's commemorative stamp program. The Postal Service bears all costs and receives all benefits from the sales and collecting of commemorative stamps. With a circulating commemorative coin, the government would bear all costs and receive all benefits. GAO estimated this alternative, if adopted, might provide annually about \$225 million in seigniorage (the difference between the face value of the coins and their cost of production, which reduces government borrowing requirements) and save about \$16 million in annual interest on the national debt.

The legislatively stated purpose for the different coin programs has varied over the years. Authorizing legislation for commemorative coin programs since 1982 has specified that proceeds from the coin be designated either to reduce the national debt, to provide a means of fundraising for sponsors, or both. In deciding whether and how to change the commemorative coin program, Congress has several options. If Congress decides its intent is to reduce the debt, the circulating commemorative coin provides an additional option to accomplish that purpose. If Congress wishes to channel coin program funds to sponsoring groups, the noncirculating commemorative coins achieve that purpose. However, under the "no net cost to the government" requirement, the sponsors should not receive proceeds until the government recovers its costs.

Principal Findings

Profits on Individual Commemorative Coin Programs Have Generally Declined as the Number of Programs Has Increased

The government earned \$178.6 million in profits on commemorative coin programs from 1982 to 1995. However, only \$31 million of this was earned from 1990 through 1995. According to the Mint, as of May 1996, 21 of the 22 programs from 1982 through 1995 were closed to further sales. The 1996 Olympic program, which is a 2-year program that started in 1995, is the only commemorative coin currently on the market.

Although the programs were intended to be operated at no net cost to the government, prices established based on estimated costs and estimated sales have not always resulted in cost recovery for the government. The Mint incurred losses totaling \$4.9 million from four programs in 1994 and 1995 that are now closed. For 1994, the Mint reported that it lost \$4.1 million on the World Cup program and \$100,000 on the Capitol program. For 1995, the Mint reported that it lost \$300,000 on the Special Olympics program, as of September 30, 1995,³ and lost \$400,000 on the Civil War program, as of March 31, 1996.

For the Olympics program, as of March 31, 1996, the Mint reported a \$3.2 million loss, which the agency attributed to high start-up costs. Mint officials said they expect to recover the initial loss through sales in 1996 stimulated by the summer Olympic games in Atlanta, GA.

According to the Mint, the government also benefits from commemorative coins through the recovery of the agency's overhead expenses that otherwise would have been borne by other Mint programs, such as circulating coins. In commenting on a draft of this report, the Mint estimated that since 1982, commemorative coin programs have resulted in the absorption of \$180 million in overhead costs. Further, the Mint indicated that since 1982, the sale of clad commemorative coins generated an additional \$6 million in seigniorage. The Mint also indicated that commemorative coin programs have generated \$157 million in proceeds from the sale of silver from the nation's stockpiles over the past decade and \$375 million in revenue from the sale of gold since 1984. GAO did not verify any of these amounts or determine whether the sale of silver and gold was a net benefit to the government.

From 1982 through 1989, Congress authorized an average of less than one program per year. However, from 1990 to 1995, Congress authorized an average of 2.7 commemorative coin programs per year. Although the number of authorized commemorative coin programs increased during the 1990s, the total number of commemorative coins sold declined. From 1982 through 1989, the Mint sold an average of 4.5 million coins per year; from 1990 through 1995, commemorative coin sales averaged 2.8 million coins per year. Further, from 1982 to 1989, average sales revenues were \$186 million per program, compared to \$32.8 million per program from 1990 to 1995.

³More current profit data on the Special Olympics program are not yet available from the Mint. The \$300,000 loss figure does not include profits from 263,551 coins that were sold from October 1, 1995, through December 31, 1995. The Special Olympics program was closed to further sales on December 31, 1995.

Several contributing factors could account for higher sales for some programs during the 1980s, compared to the 1990s, including the themes and the number of competing coins on the market. From 1982 through 1995, the commemorative coins with the highest sales revenues had themes with broad appeal to the commemorative coin market, such as the Olympic Games and the Centennial of the Statue of Liberty and Ellis Island. Also, no competing coin programs were started during the same years. By contrast, the two programs with the least sales revenue had themes with seemingly narrower appeal, such as the Special Olympics⁴ and the United Service Organization,⁵ and competed with at least one other new coin on the market.

Sponsors Received Millions in Surcharges Despite Mint Losses on Some Programs

Because income from surcharges is paid to sponsoring organizations beginning with the first coin sold, sponsors may receive substantial funds at the same time the government records a loss on the program. In 1994, the Mint lost \$4.1 million on the World Cup commemorative coin program, while the sponsor received \$9.3 million. Also in 1994, the Mint lost \$100,000 on the Capitol program while the sponsor received \$5.2 million. With respect to the 1995 programs, the Mint reported that it lost (1) \$300,000 on the Special Olympics program as of September 30, 1995,⁶ while the sponsor received \$4.4 million as of March 31, 1996; (2) \$400,000 on the Civil War program, while the sponsor received \$6 million as of March 31, 1996, and (3) \$3.2 million on the 2-year Olympic program, while the sponsor received \$18 million, as of March 31, 1996.

Some coin collectors have recently called for a boycott on the sale of commemorative coins because they are dissatisfied with high prices, which they attribute to surcharges. For the 1993 World War II program, for example, surcharges represented from 19 to 30 percent of the coins' prices.

CCCAC Recommended Coin Program Reforms

In 1992, Congress expressed concern over the proliferation of commemorative coins and authorized the establishment of CCCAC to make annual recommendations on commemorative coin themes and designs. Congress directed CCCAC to recommend no more than two commemorative

⁴The Special Olympics provides physical fitness training to mentally retarded individuals.

⁵The United Service Organization provides services to active duty military personnel, such as emergency housing and food assistance.

⁶More current profit or loss data from the Mint on this program are not yet available.

coin programs per year unless “extraordinary merit” (not defined) could be shown. Of the 11 coin programs that CCCAC recommended in 1994 for the period 1995 through 1999, Congress adopted 1—the Smithsonian coin.⁷

CCCAC also made several recommendations to reform the commemorative coin program, including (1) limiting the number of commemorative coin programs to two per year; (2) restricting the authorized mintage levels; (3) replacing surcharges with a profit-sharing arrangement between the Mint and the sponsors, requiring that the Mint recover its costs before sharing profits with the sponsors; and (4) transferring authority to make selections of commemorative coin themes from Congress to the Treasury Department. Limiting the number of coin programs to two per year may not result in increased coin sales for individual coin programs. Based on commemorative coin sales from 1982 through 1995, the most successful years in terms of total program sales were those when there was only one, not two or more coins, on the market. In addition to limiting the number of coin programs per year, according to the Mint, restricting the supply of coins creates potential for commemorative coins to retain their value in secondary markets, rewarding collectors who bought them and generating greater interest in subsequent commemorative programs.

Congress has not followed CCCAC’s recommendation regarding authorized mintage levels, having authorized nearly 12 million coins for 1996, even though an average of 2.8 million coins have been sold per year from 1990 through 1995.

A profit-sharing arrangement between the sponsor and the Mint could prevent sponsors from receiving financial benefits while the Mint experiences financial losses. However, the Mint Director said that even if a profit-sharing arrangement were implemented, it would not necessarily resolve some coin collectors’ concerns over high prices. The House of Representatives passed a bill in 1995 that would, among other things, require the Mint to recover all of its costs before sponsors received surcharges. The Senate had not acted upon the commemorative coin reform legislation as of June 1996. Further, since sponsors do not have to share in the costs of producing and selling commemorative coins, they would continue to have no financial risks under profit sharing. Therefore, sponsors would continue to have an incentive to solicit support for their

⁷The committee made no recommendations on commemorative coin themes in its 1995 report to Congress.

themes and causes, regardless of who had approval authority, particularly if they had no financial risk.

Finally, transferring authority to select commemorative coins from Congress to the Treasury Department could help ensure the selection of more profitable coins, provided that the Treasury Department (1) based its selections on adequate market research and (2) coupled the selection of popular themes to both lower coin prices and a limit on the number of commemorative coin programs approved each year. These same conditions could be adopted by Congress. It should be recognized, however, that sponsors would continue to have an incentive to solicit support for their themes and causes, regardless of who had approval authority, particularly if they had no financial risk.

A Circulating Commemorative Coin Could Be Profitable

CCCAC also recommended that Congress authorize the Mint to produce circulating commemorative coins, which are coins with distinctive designs that are issued at face value. In 1976, the Mint produced 83 percent more quarters commemorating the Bicentennial than its average annual production from 1971 through 1981. Further, when Canada issued a circulating quarter in 1992, its production of quarters during that year rose by 156 percent over the annual average of the previous 5 years.

Like circulating commemorative coins, Congress has also authorized that certain events and individuals be commemorated on the nation's stamps. Commemorative stamps are sold at face value and are profitable to the Postal Service when the public buys them but does not use them for postage. A citizens' advisory committee selects commemorative stamps on the basis of extensive public suggestions on themes they are interested in and makes its recommendations to the Postmaster General for approval.

If the government adopted a circulating commemorative coin program that, for example, resulted in the production of 50 percent more quarters than it produced in 1995, the government could generate about \$225 million in additional seigniorage for the 1-year period. This would result in about \$16 million in interest savings on the national debt.

Matters for Congressional Consideration

Congress may want to clarify its intent regarding the commemorative coin program—specifically, in terms of whether it wants the program to serve as a means of providing funds to the coins' sponsors, or reducing the national debt, or both.

For those situations where Congress wants the commemorative coin program to be used as a means of supporting a sponsoring group, it should consider reforming the program by making changes aimed at reducing proliferation and preventing losses, such as limiting the number of programs to one per year, restricting maximum authorized mintage levels, requiring that the selection of themes be based on market research, implementing a profit-sharing arrangement between the Mint and the sponsors, requiring that all of the Mint's costs are recovered before the sponsors receive financial benefits, and requiring that the prices of commemorative coins be set at levels where the market research indicates the highest sales potential.

If Congress would like to derive more revenue for the government from the sale of commemorative coins, it could authorize a circulating commemorative coin program. Because the quarter is the highest denomination and the largest in size of the widely circulating coins, it would be likely to generate the most seigniorage and best accommodate a commemorative design on its reverse side.

Agency Comments

GAO requested comments on a draft of this report from the Director of the Mint. The Director provided written comments, which are discussed in chapter 3.

The Director said that the report was thorough and insightful. He asked GAO to add additional information about total financial benefits that the government has received from commemorative coins, including the 1996 Olympic program, and about CCCAC's effectiveness. The Director also asked GAO to eliminate the reform option of reducing the number of commemorative coin programs and replace it with the option of reducing mintage levels.

GAO evaluated the Mint's comments and incorporated additional information provided by the Mint in the report where appropriate. In response to the Mint's suggestion, GAO included reducing mintage levels as an additional reform option, but believes it should be coupled with a limit on the number of programs per year.

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Abbreviations

ANA	American Numismatic Association
CCCAC	Citizens' Commemorative Coin Advisory Committee
CSAC	Citizens' Stamp Advisory Committee
PEF	Numismatic Public Enterprise Fund

Introduction

Background

Commemorative coins are produced by the U.S. Mint, a unit of the Treasury Department. Every commemorative coin program is authorized by an act of Congress. Congress authorizes commemorative coins as a means of honoring certain events and individuals and to raise funds for the coins' sponsors and on occasion apply the proceeds from commemorative coin sales to the national debt. Authorizing legislation for commemorative coin programs earmarked for 1982 through 1995 states that the Mint shall take all actions necessary to ensure that the issuance of coins shall result in no net cost to the government.⁸ Although commemorative coins are legal tender at their face value, they are not used as a medium of exchange, but are purchased and retained by collectors. According to the Mint, over 90 percent of commemorative coins are bought by coin collectors.

Commemorative coins are manufactured at the Mint's facilities in San Francisco, CA; Denver, CO; Philadelphia, PA; and West Point, NY. They typically are manufactured in half-dollar, 1-dollar, 5-dollar, and 10-dollar denominations and are produced as clad materials,⁹ silver, and gold. The coins are sold mainly through the Mint's mail-order service, but some are also sold through retail outlets.

Congress also authorizes the Mint to manufacture medals to honor historical events or individuals. In contrast to commemorative coins, medals are not legal tender.

For 19 of the 22 commemorative coin programs for 1982 through 1995, Congress directed that a portion of the coins' sales proceeds, namely the surcharges that were specific amounts added to the price of coins, be paid to the sponsoring organizations. For four programs, Congress directed that the surcharges be applied to reducing the national debt.¹⁰ The sponsors were paid the surcharges regardless of whether the program was profitable to the Mint, and the sponsors did not pay for any of the Mint's costs associated with producing and selling the coins. Surcharges for the 1995 commemorative coins ranged from \$2 to \$3 for half-dollar coins, \$7 to \$10 for 1-dollar coins, and \$35 to \$50 for 5-dollar coins.

⁸"No net cost to the government" is not further defined in the legislation.

⁹Clad materials consist of layers of copper and nickel bonded together. The Mint also uses clad materials to produce circulating dimes, quarters, and half-dollars.

¹⁰For one of the four programs, Congress directed that half of the surcharges be provided to the sponsor and half for reducing the national debt.

Historical Perspective

In 1892, Congress approved legislation authorizing the first commemorative coin, which commemorated the Columbian Exposition. Congress authorized 157 commemorative coins that were issued from 1892 through 1954. Until 1954, commemorative coins were sold to sponsoring organizations, who then resold them to the public at higher prices as a means of fundraising. Over the years, the program experienced several problems, including the congressional authorization of more commemorative coins than the market could absorb, the sponsors' charging of prices substantially above the coins' face value, and the commemoration of events of local or minor significance.

During this period, Presidents Hoover, Roosevelt, and Truman expressed disapproval over the use of commemorative coins. In 1930, President Hoover said that selling commemorative coins for a profit and as a means to provide funding for celebrations was a misuse of the coinage system, and because the coins did not circulate, they did not serve the real function of coins. Similarly, in 1935, President Roosevelt said that "striking special coins in commemoration of historical events and permitting the sponsoring organizations to sell them at a profit is a misuse of our coinage system, which is assuming increasingly dangerous proportions." In 1937, President Roosevelt expressed concern about the "alarming increase" in the demand for commemorative coin legislation, indicating that many of the coins had no more than local significance. In 1947, President Truman vetoed legislation authorizing coins commemorating the state of Wisconsin's entry into the Union, saying that if the legislation were approved, it was not apparent on what grounds similar measures, no matter how numerous, could be rejected.¹¹ According to the Mint, because of these concerns, no commemorative coins were authorized for 1955 through 1981.

In late 1981, Congress reactivated the commemorative coin program by authorizing the George Washington commemorative coin. In authorizing this program, Congress acted in response to support expressed by coin collectors for issuing commemorative coins with popular themes and required that the profits from the sales of the George Washington coin be applied to the national debt. Commemorative coin programs beginning in 1982 were restructured so that the Mint sold the coins directly to the public, rather than through the sponsors. Starting in 1984, Congress authorized a commemorative coin sponsor to receive surcharges on coin prices. Congress has authorized an additional six commemorative coin

¹¹Despite the statements of disapproval by Presidents Roosevelt and Truman, 61 commemorative coins were issued during their terms of office. No commemorative coins were issued during President Hoover's term.

programs from 1996 through 2002 and authorized that all surcharges be provided to the sponsors.

Dissatisfaction with the commemorative coin program has prompted some coin collectors to advocate a boycott on purchasing the coins. One collector who is advocating the boycott said that a call for a boycott began in the late 1980s, when some coin collectors became dissatisfied with the themes selected and high prices.

In 1992, Congress expressed concern over the proliferation of commemorative coins and authorized the establishment of the Citizens' Commemorative Coin Advisory Committee (CCCAC) to make annual recommendations to Congress on commemorative coin themes and designs, with the objective of reducing the proliferation of commemorative coins.¹²

In addition, Congress passed a resolution in December 1993 indicating that the House Committee on Banking, Finance, and Urban Affairs (now House Committee on Banking and Financial Affairs) and the Senate Committee on Banking, Housing, and Urban Affairs should not approve more than two commemorative coin programs per year unless they determined, on the basis of the CCCAC's recommendations, that "extraordinary merit" existed for an additional commemorative coin program, without defining "extraordinary merit." The law containing that resolution authorized three new commemorative coin programs for 1994.¹³

In August 1994, Treasury Secretary Bentsen wrote the Chairmen of the Senate Banking Committee and the House Banking Subcommittee on Consumer Credit and Insurance, asking for a moratorium on the authorization of any additional commemorative coins until the CCCAC issued its recommendations. According to the Mint, Secretary Bentsen called for the moratorium because five new commemorative coin programs were included in a conference report of the Riegle-Neal Interstate Banking and Branching Efficiency Act bill, which was enacted in September 1994.

A more detailed historical perspective on commemorative coins is provided in appendix I.

¹²P.L. 102-390. CCCAC members were appointed in November 1993.

¹³The Veterans coin program, one of the three commemorative coin programs authorized under P.L. 103-186, also consisted of three separate coins commemorating prisoners of war, Vietnam veterans, and women in military service.

Objectives, Scope, and Methodology

In July 1995, the Chairman of the Senate Banking Committee asked us to review the U.S. Mint's commemorative coin program. The Chairman was concerned about the recent proliferation of commemorative coin programs, recent financial losses in the program, and the viability and condition of the market for commemorative coins. The Chairman asked us to (1) report on how much the sponsors and the government have lost and gained from the program in recent years, and (2) determine what options are available to ensure that the commemorative coin program does not result in a loss to the government and what specific mechanisms would be effective in controlling the proliferation of programs.

To address both of these issues, we first reviewed the legislative history of the commemorative coin program since its inception in 1892. We focused on commemorative coins that were issued since 1982. We obtained and analyzed information from the Mint on the themes, denominations, prices, surcharges, number of coins authorized, number of coins sold, profits and losses to the government, surcharges paid to sponsoring organizations, and marketing efforts. In addition, we interviewed officials involved in the commemorative coin program at the Mint, including the Mint's Director, Deputy Director, Deputy Chief Counsel, Marketing Director, Chief Financial Officer, Chief Operating Officer, and accounting officials.

To review the workings and recommendations of CCCAC, we reviewed CCCAC reports and committee meeting minutes and interviewed two committee members, including its chairman, who is also the Director of the U.S. Mint. We also compared the programs that CCCAC recommended to ones that Congress authorized and the number of commemorative coin programs authorized since CCCAC was established. In addition, we interviewed the program officer for the Citizens' Stamp Advisory Committee (CSAC) about the workings of CSAC. We compared and contrasted the two committees' operating procedures and the commemorative coin and stamp selection criteria. We did not evaluate the profitability of the commemorative stamp program.

We obtained the numismatic community's views about reforming the commemorative coin program by interviewing officials from the American Numismatic Association (ANA), which is the world's largest numismatic organization, with 26,000 members. We also interviewed an advocate of a recent boycott of commemorative coins and reviewed the numismatic trade press. We also attended hearings held in July 1995 by the House Banking Subcommittee on Domestic and International Monetary Policy regarding the commemorative coin program and reviewed witnesses'

testimony. Witnesses who testified at this hearing included the CCCAC Chairman, the ANA President, the editor of a numismatic publication, and a New York coin dealer. We also reviewed a survey that ANA conducted in July 1993 of its members' views concerning commemorative coins.

At our request, the Royal Canadian Mint provided us with information about its circulating commemorative coin program, including the number of circulating commemorative coins produced.

The U.S. Mint also provided data on its 1976 circulating commemorative coins, including the number minted and production costs. For comparison purposes, at our request, the Mint also provided circulating coin production data from 1971 through 1981.

We also toured the Mint's facility in Philadelphia, PA, one of the Mint's facilities where commemorative coins are designed and made.

To estimate seigniorage on a circulating commemorative quarter, we subtracted the cost of producing a quarter in 1995 (\$.036) from the coin's face value (\$.25), and multiplied this difference (\$.214) by the number of quarters produced in 1995 (2,100,000,000), plus an expected volume increase of 50 percent, which equaled \$224,700,000. We estimated the 50 percent volume increase on the basis of the U.S. experience with the 1976 Bicentennial quarter production and recent Canadian experience with circulating commemorative coins.

During the course of our review, we raised issues relating to the Mint's cost accounting system. We reviewed a report issued in June 1995 by the Treasury Department Inspector General's Office indicating that the Mint's fund structure was inadequate and fragmented (see ch. 2). Although we discussed the Mint's cost accounting system with the Mint's Director and Chief Financial Officer, our review was not designed to verify the accuracy of the agency's cost data.

We did our work from August 1995 through May 1996 in accordance with generally accepted government auditing standards. Our work was done in Washington, D.C., and Philadelphia, PA. We requested comments on a draft of this report from the Director of the Mint. His comments are contained in appendix V and discussed and evaluated in chapter 3.

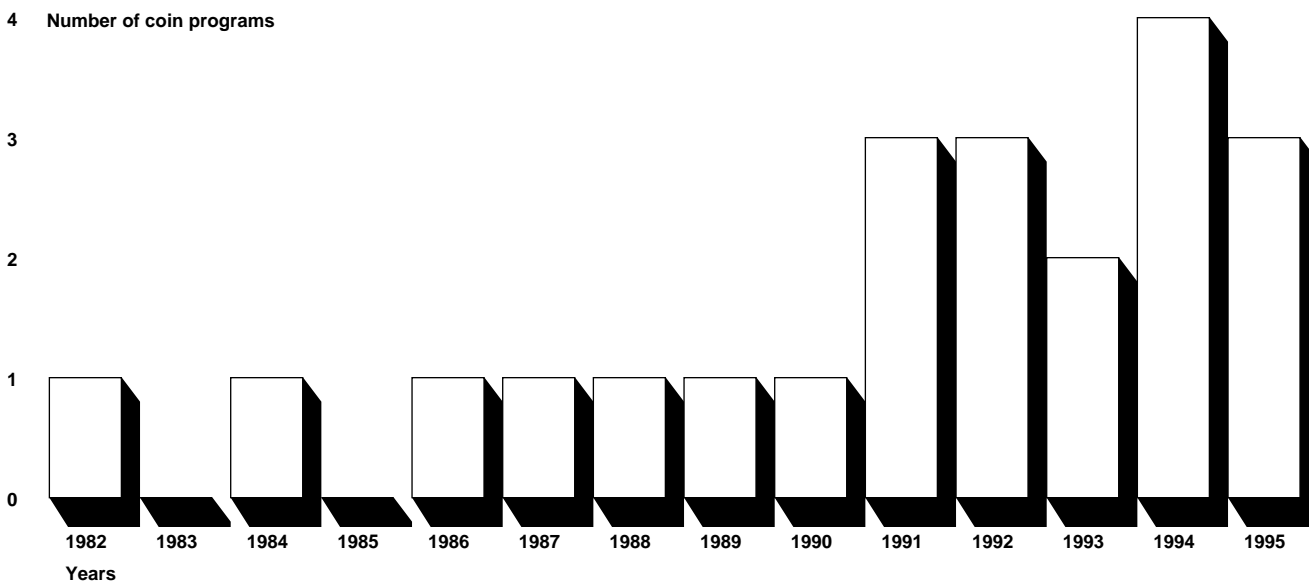
The Mint Has Lost Money on Some Commemorative Coins in Recent Years

In recent years, while Congress authorized an increasing number of programs, the Mint's profits on individual commemorative coin programs have generally declined, and the Mint incurred losses on some programs. Sponsors received millions of dollars from surcharges, even when specific programs resulted in losses to the Mint. According to many coin collectors, the Director of the Mint, and a commemorative coin advisory committee, in recent years the number of commemorative coins has proliferated and may have saturated the market, coin prices are higher than the customers want to pay, and some coin themes have not been well accepted in the market.

Number of Programs

Congress has authorized an increasing number of commemorative coin programs since the program was revived in 1982. For 1982 through 1989, Congress authorized an average of less than one program per year. However, for 1990 to 1995, Congress authorized an average of 2.7 commemorative coin programs per year. Figure 2.1 shows the number of coin programs authorized for each of the years 1982 through 1995.

Figure 2.1: Number of Commemorative Coin Programs Authorized for Years 1982 Through 1995



Source: U.S. Mint.

At the time of our review, Congress had also approved 6 commemorative coin programs for 1996 through 2002, with authorized mintage levels totaling over 13 million coins. Legislation was pending to approve 17 additional programs; if enacted, these additional programs would result in the authorization of nearly 16 million coins. Additional data on these future and proposed programs are listed in appendix II.

Since the commemorative coin program was revived in the early 1980s, Congress has generally authorized significantly more coins than have been sold. For 1982 through 1995, Congress authorized 190.8 million commemorative coins, or an average of 13.6 million coins per year. Only 52.1 million coins were sold during this period, or an average of 3.7 million per year.

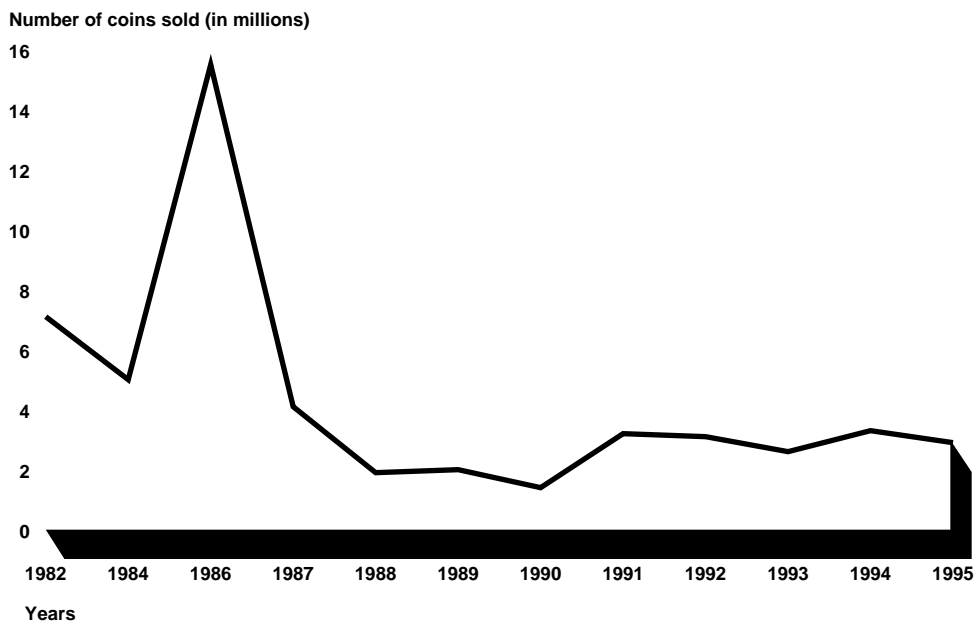
The Mint does not manufacture the entire mintage that Congress authorizes, but produces the levels it believes can be sold. Mint officials said they do not keep records on the total number of commemorative coins produced for each program.¹⁴ Available Mint data indicated that 1.4 million coins remained in its inventory from 12 closed programs since 1990. It would cost the Mint about \$168,000 to melt down 1.4 million coins.

Coin Sales

From 1982 through 1995, the Mint sold an average of 3.7 million coins per year, but the number of coins sold in recent years has been lower. From 1982 through 1989, the Mint sold an average of 4.5 million coins per year, compared to 2.8 million coins per year from 1990 through 1995. The programs with the highest number of coins sold since 1982 were the Statue of Liberty and Ellis Island coin, issued in 1986, with sales of about 15.5 million; and the George Washington coin, issued in 1982, with over 7.1 million coins sold. The two programs that sold the least number of coins were the U.S. Capitol coin, issued in 1994, with 347,911 coins sold; and the Special Olympics coin, issued in 1995, with 441,747 coins sold. Figure 2.2 shows the trend in commemorative coin sales since 1982.

¹⁴According to the Mint, 20 to 30 percent of commemorative coins are rejected during the production process.

Fig. 2.2: Number of Commemorative
Coins Sold From 1982 Through 1995



Note: Some coins are sold for more than one year. All sales are combined above in the first program year. No new programs were started in 1983 and 1985.

Source: U.S. Mint.

According to the Mint, as of May 1996, 21 of the 22 commemorative coin programs were closed to further sales. The 1996 Olympic coin program is the only commemorative coin currently on the market. With the exception of the Olympic coins, Mint officials said that generally 90 percent of coin sales occur within the pre-issue period, which is normally during the first month of the program.

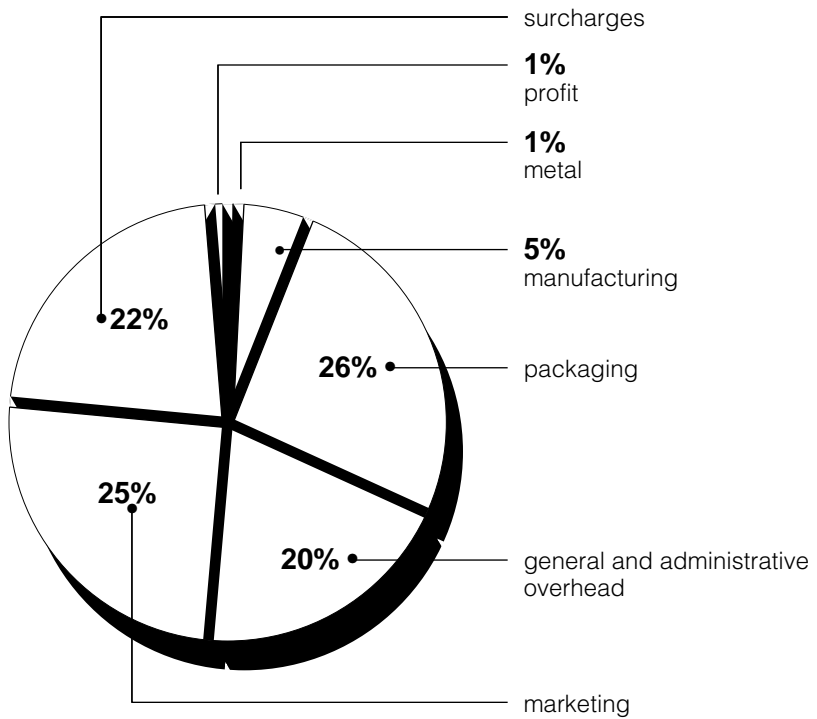
Prices and Surcharges

Commemorative coin prices are based on surcharges and the costs of metal, labor, packaging, advertising, general and administrative overhead costs, and an expected Mint profit of about 7 to 8 percent of the total price. Mint officials said that manufacturing costs have been very consistent over recent years, and that allocation of general and administrative costs is based on how many coins the Mint expects to sell.

To determine what portion of prices is represented by surcharges, we asked the Mint to break out the costs of a typical commemorative coin. The Mint provided information regarding the 1993 World War II commemorative coin program, which consisted of clad, silver, and gold coins. As shown in figures 2.3, 2.4, and 2.5, the surcharges ranged from 19 to 30 percent of the pre-issue prices, marketing costs ranged from 13 to 25 percent, and packaging costs ranged from 3 to 26 percent for these coins. The combination of surcharges, marketing, and packaging represented 73 percent of the clad coin's price, 64 percent of the silver coin's price, and 35 percent of the gold coin's price. Metal costs were about 1 percent of the clad coin price, 12 percent of the silver coin price, and 45 percent of the gold coin price.

The ratio of price to face value was 18 to 1 for the clad coin, 27 to 1 for the silver coin, and 37 to 1 for the gold coin. These ratios demonstrate why commemorative coins are collected and not circulated.

Fig. 2.3: Price Breakdown of the World War II 50-Cent Clad Coin

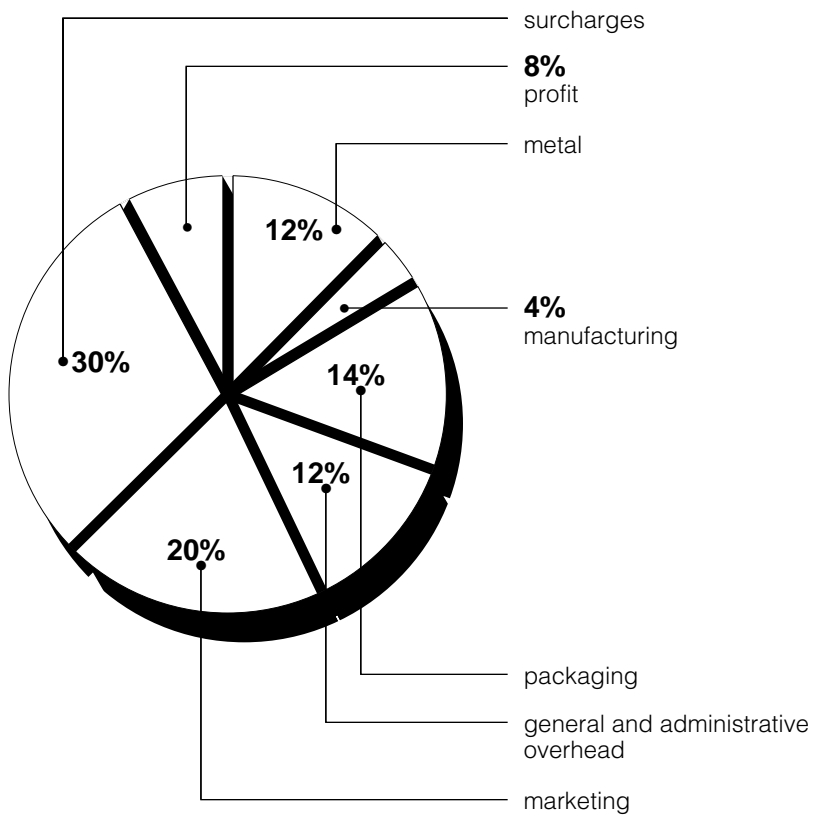


Note: Total pre-issue price for the coin was \$9.00.

Source: U.S. Mint.

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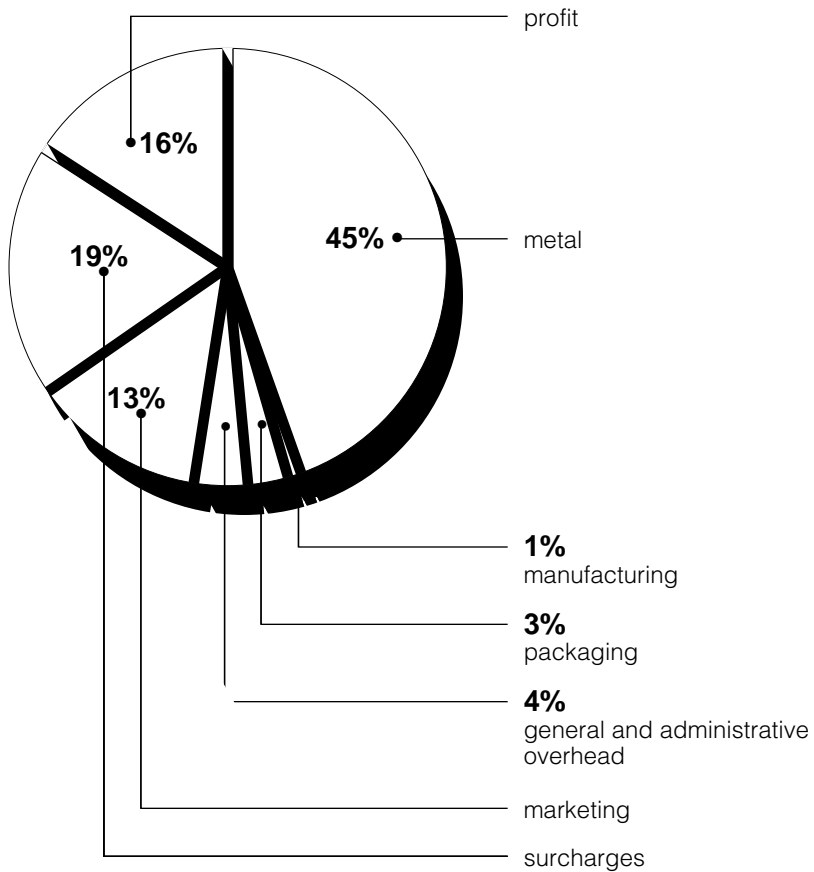
Figure 2.4: Price Breakdown of the
World War II 1-Dollar Silver Coin



Note: Total pre-issue price for the coin was \$27.00.

Source: U.S. Mint.

Figure 2.5: Price Breakdown of the
World War II 5-Dollar Gold Coin



Note: Total pre-issue price for the coin was \$185.00. Total exceeds 100 percent because of rounding.

Source: U.S. Mint.

According to ANA, many coin collectors are dissatisfied with the high prices of commemorative coins, which they attribute to surcharges. Similarly, the Mint Director, who approves commemorative coin prices,

said the surcharges are making the coins too expensive. He added that commemorative coin prices are determined largely through the authorizing legislation, which specifies the amount of the surcharges.

ANA officials said they favored eliminating the surcharges. They said that while the average coin collector spends \$2,500 per year on coin collecting, it now costs about \$3,500 to purchase all commemorative coins offered each year.¹⁵ The officials added that commemorative coin prices are too high to allow typical collectors to afford them. For example, the pre-issue price for the 32-coin 1996 Olympic coin set, which has a metal value of \$803 and a face value of \$60, is \$2,261.

Marketing Efforts

The Mint is charged with marketing the commemorative coins that Congress has authorized. The Marketing Director for the Mint said that his department is in the difficult position of creating a market for coins that may have little or no demand. He said that the Mint must act as both a retailer and a fundraiser. Moreover, he said that the Mint often has very little time to conduct market research before a commemorative coin program is launched, sometimes only a month or two. The Marketing Director said that it would be helpful if the commemorative coin program operated under a 5-year plan, which would help give the program some continuity.

From 1982 to 1989, average sales revenues were \$186 million per program, compared to \$32.8 million per program from 1990 to 1995. Several contributing factors could account for higher sales revenues for some programs during the 1980s, compared to the 1990s, including the types of themes and the number of competing coins on the market. From 1982 through 1995, the two programs with the highest sales revenues had themes with broad appeal to the commemorative coin market, such as the Olympic Games and the Centennial of the Statue of Liberty and Ellis Island, and occurred during years when no competing commemorative coin programs were started. By contrast, the two programs with the least sales revenues—the Special Olympics¹⁶ and the United Service Organization¹⁷ coins—had competition from at least one other

¹⁵ANA officials said that collectors spend about \$2,500 per year on collecting all types of coins, not only commemorative coins. The officials did not have data on what percent of the \$2,500 was spent on commemorative coins.

¹⁶The Special Olympics provides physical fitness training to mentally retarded individuals.

¹⁷The United Service Organization provides services to active duty military personnel, such as emergency housing and food assistance.

commemorative coin on the market, and the themes of those programs had seemingly narrower appeal to the commemorative coin market.

In June 1993, ANA conducted a survey of its members on their level of satisfaction with commemorative coin themes and the number of programs. The survey indicated that 50 percent of the respondents were somewhat dissatisfied or very dissatisfied with commemorative coin theme selections, compared to 35 percent who were somewhat satisfied or very satisfied. Fifteen percent had no opinion or did not respond to the question. With regard to the number of programs, the survey indicated that 33 percent said commemorative coins should be issued every few years, 30 percent said that one or two coins should be issued each year, 19 percent said that more than two coins should be issued every year, 5 percent said that commemorative coins should not be issued, and 15 percent had no opinion or did not respond to the question.

The Mint, rather than the sponsors, pays all of the marketing costs of commemorative coins. Outside contractors assist the Mint with the technical and creative aspects of advertising and direct mail. The Mint's primary marketing tool is direct mail, and it has about 1 million people on its mailing lists. It also advertises in numismatic and specialized publications and uses telemarketing, international marketing, and bulk and retail sales to market the coins. The 1996 Olympic coins are being sold by retailers, as were the Statue of Liberty coins. The Mint Director said the distribution system for the 1996 Olympic coin program will be dismantled at the program's conclusion. The Marketing Director said that it is difficult to sell coins to customers who are not part of the core group of collectors. However, he added that because the number of coin collectors is declining, the Mint is attempting to reach new customers.

Profits

From 1982 through 1995, sponsors were paid \$309.6 million in surcharges, while the Mint earned \$114.6 million in profit from commemorative coins and the Treasury received almost \$64 million in surcharges for debt reduction. From 1982 through 1989, the Mint realized an average profit of about \$15.8 million per commemorative coin program.¹⁸ However, from 1990 through 1995, the Mint realized an average profit of \$3.3 million per

¹⁸This excludes the \$64 million that the Treasury earned from surcharges on commemorative coins for debt reduction during this period.

program, including losses totaling \$4.9 million for four closed programs from 1994 to 1995.¹⁹

Because the sponsors do not bear any of the costs associated with the production and selling of coins, sponsors received millions of dollars in recent years, while the Mint paid for all production and marketing costs and incurred financial risk on those programs. Mint officials said that if a coin program is too small, start-up costs could absorb all of the revenues, resulting in no profits.

For 1994, the Mint reported losing \$4.1 million on the World Cup program, which is now closed to further sales, while the sponsor received \$9.3 million. Also for 1994, the Mint reported losing \$100,000 on the Capitol program, while the sponsor received \$5.2 million. In 1995, the Mint had three commemorative coin programs, two of which are closed to further sales (Special Olympics and Civil War). For the Special Olympics program, the Mint reported that it lost \$300,000 as of September 30, 1995,²⁰ while the sponsor received \$4.4 million as of March 31, 1996. For the Civil War program, as of March 31, 1996, the Mint reported that it lost \$400,000, while the sponsor received \$6 million. The third 1995 program is a 2-year program commemorating the 1996 Olympics. As of March 31, 1996, the Mint reported a loss of \$3.2 million for the 1996 Olympic program, while the sponsor had received \$18 million. The Mint attributed the loss to high start-up costs incurred in 1995, which it expected to recover from 1996 sales stimulated by the Olympic summer games in Atlanta, GA, which will end in August 1996.

In its June 21, 1996, comments on a draft of this report, the Mint indicated that at that time the 1996 Olympic program showed a \$2.7 million loss and had absorbed \$14 million in fixed overhead for the Mint, generated \$13.8 million in revenues for the Treasury from the sales of gold and silver from the nation's stockpiles, and generated \$25 million in surcharges for the 1996 Olympics. The Mint also indicated that the revenue figures included cash-in-hand receipts and excluded \$28 million in sales of Olympic coins for which it had contracts. We did not verify the Mint's figures or determine whether it was beneficial to sell the nation's silver and gold stockpiles.

¹⁹These are the World Cup, Capitol, Civil War, and Special Olympics programs. The \$4.9 million figure includes a \$300,000 reported loss for the Special Olympics program that does not reflect sales of 263,551 coins.

²⁰More current profit data from the Mint on this program are not yet available.

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Table 2.1 and figure 2.6 show the profits reported by the Mint from commemorative coin programs from 1982 through 1995.

Table 2.1: Financial Results of Commemorative Coin Programs From 1982 Through 1995

Year	Mint profit/ (loss) (in millions)
1982	\$14.4
1984	10.3
1986	28.6
1987	34.6
1988	1.0
1989	6.0
1990	(1.1)
1991 ^a	12.7
1992 ^a	8.6
1993 ^b	6.8
1994 ^d	(3.4)
1995 ^a	(3.9) ^c
Total	\$114.6

^aThere were three coin programs this year.

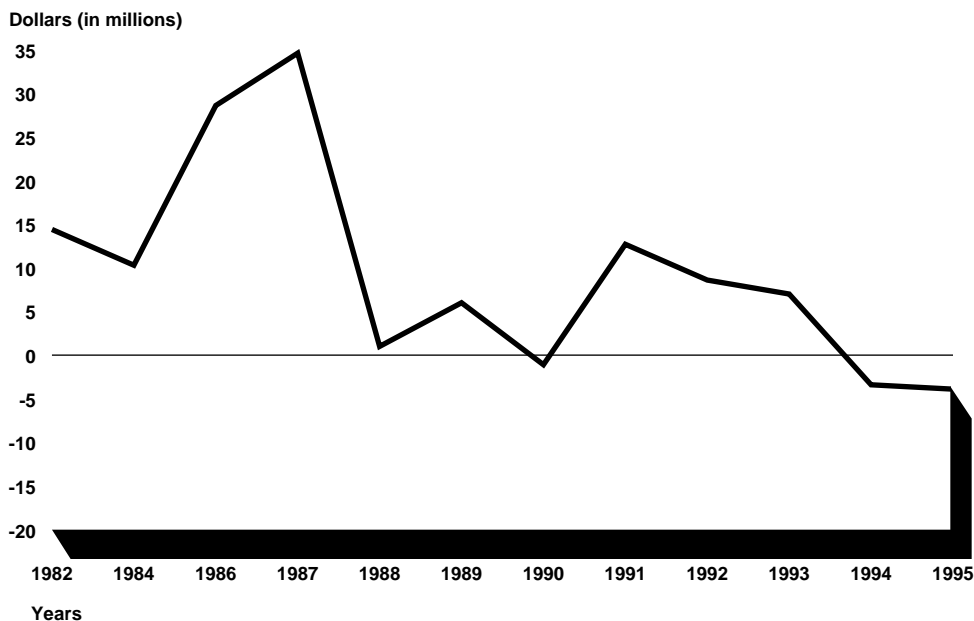
^bThere were two coin programs this year.

^cThe 1995 figure includes a preliminary \$3.2 million loss for the 2-year Olympic program as of March 31, 1996, which the Mint expected to recover through sales stimulated by the 1996 summer Olympic games. The 1995 figure also includes a \$300,000 loss for the Special Olympics program as of September 30, 1995, that does not reflect the sale of 263,551 coins from October 1, 1995, through December 31, 1995. The Special Olympics program was closed to further sales on December 31, 1995.

^dThere were four coin programs this year.

Source: U.S. Mint.

Figure 2.6: Mint Profits on
 Commemorative Coin Programs From
 1982 Through 1995



Note: The 1995 data include a \$3.2 million loss for the 2-year Olympic program as of March 31, 1996, which the Mint expects to recover, plus a \$300,000 loss for the Special Olympics program that does not reflect the sale of 263,551 coins.

Source: U.S. Mint.

Four of the five programs that generated the largest profits to the Mint occurred before 1990, when the number of commemorative coin programs offered was one per year. By contrast, all six programs with a loss to the Mint occurred during the 1990s. The sales and financial performance of the 22 programs from 1982 through 1995, including program sponsors and how much they received, coin sales, the amount of money that was designated for reducing the national debt, and profit to the Mint, is shown in appendix III.

Mint losses incurred by individual programs are charged against the Numismatic Public Enterprise Fund (PEF), a revolving fund that Congress established in 1992 for the Mint's numismatic products. Recent losses on some programs have been offset by profits on others, but such losses have

reduced funds available for transfer from PEF to the Treasury.²¹ If the Mint experiences losses on programs that are not offset by profits on others and the fund is depleted, the Mint would have to ask Congress for an appropriation to cover the loss or authority to borrow funds from the Treasury.

While the Mint experienced losses on some programs, the sales benefited the government through the receipt of surcharges to the Treasury designated for debt reduction. For example, while the 1990 Eisenhower coin showed a \$1.1 million loss to the Mint, the Treasury benefited from \$9.7 million that was received in surcharges. Similarly, the 1991 United Service Organization program broke even for the Mint, but the Treasury received \$1.6 million in surcharges.

In addition to the surcharges applied against the national debt, the Mint believes that the commemorative coin program also benefits the government in other ways. During July 1995 testimony before the House Banking Subcommittee on Domestic and International Monetary Policy, the Mint Director said that PEF and ultimately the U.S. Treasury benefited from commemorative coin programs that showed a loss because they helped cover the overhead expenses of other Mint programs. For example, the 1994 World Cup program lost \$4.1 million. However, the Mint reported that if there had been no World Cup program, \$6.1 million in the Mint's overhead expenses would have been borne by other Mint programs, such as circulating coins.

In commenting on a draft of this report, the Mint estimated that since 1982, commemorative coin programs have resulted in the absorption of \$180 million in overhead costs. We asked the Mint how its overhead expenses are allocated and whether commemorative coin programs cause additional overhead costs. The Mint indicated that commemorative coin programs do generate some overhead costs that would otherwise be avoided if the programs were not undertaken. However, the Mint believes that commemorative coin programs absorb more overhead expenses than they generate, but it was not able to quantify the amount generated by the commemorative programs.

Further, the Mint indicated in its comments on a draft of this report that since 1982, the sale of clad commemorative coins generated an additional \$6 million in seigniorage. This represents an average seigniorage of about

²¹31 U.S.C. 5134. In 1995, PEF generated \$362.9 million in earned revenue, which resulted in a profit of \$4.7 million. Before enactment of PEF in 1992, the Mint's profits were directly deposited to the Treasury's General Fund.

\$273,000 per program for the 22 commemorative coin programs from 1982 to 1995. Starting in 1996, the Mint is no longer recording seigniorage from commemorative coins because the Mint's new revolving fund does not recognize seigniorage, according to a Mint official.

The Mint in its comments also indicated that commemorative coin programs have generated \$157 million in proceeds from the sale of silver from the nation's stockpiles over the past decade and \$375 million in revenue from the sale of gold since 1984.

The Mint indicated that despite the controversy associated with the practice of adding surcharges to the price of commemorative coins, considerable good has come from the funds raised for philanthropic purposes, including providing support for training U.S. Olympic hopefuls, to preserve national landmarks such as the Statue of Liberty, and for a visitors center at the U.S. Capitol.

In June 1995, a Treasury Department Inspector General report on the Mint's fiscal year 1994 financial statement indicated that the Mint had an inadequate and fragmented fund structure, including weaknesses in the cost accounting system for numismatic programs. As a result, the report stated, "the risk that controls will not detect potential misstatements is greatly increased, accounting was complicated, and the Mint's true operating cost could be understated."²² Although our review was not designed to verify the accuracy of the Mint's cost accounting system, we asked Mint officials about the status of the agency's efforts to resolve the problems cited by the Inspector General. A Mint official said that problems associated with a fragmented fund structure were resolved when legislation was enacted in November 1995 amending the revolving fund statute to include receipts and expenditures of circulating coins.²³ A May 1996 Treasury Inspector General report on the Mint's 1995 financial statements indicated that efforts to achieve full integration of the Mint's financial management system have been cumbersome and delayed.

Conclusions

Since 1982, the commemorative coin program appears to have experienced many of the same problems that occurred before 1955, including the authorization of more coins than the market would absorb, the authorization of an increasing number of programs, concern over high

²²Audited Fiscal Year 1994 Financial Statements of the United States Mint, U.S. Department of the Treasury Office of the Inspector General, June 14, 1995 (OIG-95-089).

²³P.L. 104-52.

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prices, and the authorization of some coins that were not as popular with coin collectors as some past coins. As the number of commemorative coin programs has increased since 1990, sales have decreased, and several programs have been unprofitable to the Mint. Also, under the existing programs, sponsors have been paid surcharges regardless of whether a specific coin program experienced a profit or loss.

Options for Improving the Commemorative Coin Program

To help reduce a proliferation of commemorative coins and government losses, CCCAC has recommended the commemorative coin program be changed by limiting the number of commemorative coin programs per year, restricting the maximum authorized mintage levels, implementing a profit-sharing arrangement between the Mint and the sponsors, and transferring the authority to select themes to the Treasury Department. If adopted, these recommendations could help reduce the number of commemorative coins and prevent the payment of surcharges to sponsors while the Mint lost money. However, they would not reduce the possibility of government losses primarily because commemorative coin prices would not necessarily be lower and sponsors could continue to solicit support for the approval of themes that might be unpopular in the commemorative coin market. Congress has adopted 1 of CCCAC's 11 recommended coin themes.

CCCAC also recommended that Congress consider authorizing circulating commemorative coins. This approach could result in millions of dollars in additional profits to the government.

CCCAC Recommendations

Congress authorized the establishment of CCCAC in 1992, directing it to make recommendations to Congress regarding future commemorative coin themes. In its two annual reports in 1994 and 1995, CCCAC recommended 11 new commemorative coin themes for 1995 through 1999 and made recommendations on how to reform the commemorative coin program. CCCAC's major reform recommendations included (1) limiting the number of commemorative coin programs per year, (2) restricting the authorized mintage levels, (3) replacing surcharges with a profit-sharing arrangement between the Mint and the sponsors, requiring that the Mint recover its costs before sharing profits with the sponsors, and (4) transferring authority to make selections of commemorative coin themes from Congress to the Treasury Department.

Limiting the Number of Programs Per Year

In its 1994 report, CCCAC indicated that it supported a 1993 Sense of Congress Resolution,²⁴ which recommended that no more than two commemorative coin programs be approved per year, unless, based on a CCCAC recommendation, "extraordinary merit" existed for an additional program. The resolution did not define "extraordinary merit" with respect to authorizing new programs, leaving the term open to interpretation.

²⁴P.L. 103-186.

Congress does not appear to have followed the 1993 congressional resolution to limit the number of commemorative coin programs. In the same legislation containing the resolution to limit the number of programs to two per year, Congress approved three new programs for 1994.

Limiting the number of coin programs to two per year may not eliminate losses to the Mint or increase sales. From 1982 to 1995, the four programs that sold the most coins did not compete with any other new programs. In addition, it appears from the evidence we reviewed that to be successful, among other things, coin themes should have broad appeal to coin collectors, and limiting the number of programs to two per year would not itself ensure that selected themes would be popular.

Restricting the Authorized Mintage Levels

In addition to supporting Congress' resolution to limit the number of coin programs per year, CCCAC recommended restricting the maximum authorized mintage levels of commemorative coins. According to CCCAC, lower mintages would create the potential for commemorative coins to retain or increase their value in the secondary market, which would reward purchasers and thus generate greater interest in subsequent programs. CCCAC recommended that the maximum mintages per program be limited to 750,000 for clad half-dollars and 500,000 for silver dollars. It also recommended that a 5-dollar gold coin be included in a program only when a commemorative theme has "special significance" and that the mintage be limited to 100,000. CCCAC did not define the term "special significance."

Congress did not follow CCCAC's recommendation regarding authorized mintage levels with respect to the 1996 Olympic coin program. Although in 1995 Congress approved a measure to decrease the maximum authorized mintage level for the 1996 Olympic coin program by over 4.6 million coins, an average of 6.7 million coins remained authorized for each of the program's 2 years, including 600,000 gold coins.²⁵

According to the Mint, restricting the supply of coins creates potential for commemorative coins to retain their value in secondary markets, rewarding collectors who bought them and generating greater interest in subsequent commemorative programs.

²⁵In December 1995, Congress passed P.L. 104-74, which reduced the maximum mintage level for the Olympic program from 17,950,000 to 13,300,000 coins.

Transferring Theme Selection to the Treasury Department

As a means of improving the quality of themes recommended, CCCAC also recommended that Congress authorize the Treasury Department to select coin themes while retaining congressional oversight over the execution of commemorative coin programs.

Congress has not transferred authority to make commemorative coin theme selections to another body. Although Congress directed CCCAC to make commemorative coin theme recommendations to it, as of May 1996, Congress had adopted only 1 of the 11 themes that CCCAC recommended for 1995 through 2002. In comments on a draft of this report, the Mint Director said that the fact that the Smithsonian coin program has been the only commemorative coin bill to be enacted since the moratorium request in August 1994 demonstrates that CCCAC is now being heard by Congress, considering that CCCAC stated in its two reports to Congress that the Committee's first priority was to restrain the proliferation of commemorative coin programs.

It appears that transferring authority to select commemorative coin themes from Congress to the Treasury Department is one way Congress could help reduce the number of programs and losses to the Mint, provided that the Treasury Department (1) based its selections on adequate market research and (2) coupled the selection of popular themes to lower coin prices and a limitation on the number of commemorative coin programs approved each year. However, we also note that Congress could do this as well. Further, CCCAC's proposal does not indicate whether the Treasury Department, which does not have a system in place to predict what themes would be popular with coin collections, would be able to control prices. Also, Congress could achieve the same end by requiring the Treasury Department to recommend programs for approval on the basis of market research. The costs of such market research would have to be considered along with the expected benefits.

Replacing Surcharges With Profit-Sharing

CCCAC attempted to address the Mint's declining profits from commemorative coins by recommending that Congress eliminate surcharges, replacing them with a profit-sharing arrangement between the Mint and the sponsors and requiring that the Mint recover its costs before sharing profits with the sponsors. CCCAC said this proposal would help prevent the Mint from incurring future financial losses by allocating funds to sponsors only when the programs operated at a profit. Further, the CCCAC Chairman said that coin collectors might be more receptive to profit-sharing than surcharges, which collectors regard as an unnecessary

tax. The CCCAC Chairman said that he thought the profits could be divided between the sponsors and the Mint in a 70:30 or 80:20 ratio in favor of the sponsors, depending on market demand, marketing costs, and program size.

In December 1995, the House of Representatives passed a bill that would, among other things, bar the payment of surcharges to sponsors until the Mint recovers all of its costs associated with the program.²⁶ The bill would not eliminate the collection of surcharges and would not require profit-sharing once the Mint recovered its costs. The Senate has not yet taken any action on legislation to reform the commemorative coin program.

In July 1995 testimony before the House Banking Subcommittee on Domestic and International Monetary Policy, the Mint Director said that he would like to end the practice of adding surcharges to the price of commemorative coins, even though considerable good has come from the funds raised for philanthropic purposes. He said that demand for new programs has increased as more organizations have discovered that coin programs produce revenues more quickly and reliably than the congressional appropriations process. The Director added that as long as funds for private purposes are raised through commemorative coin programs and their approval remains with Congress, the risk of continued proliferation remains high regardless of any reform measures adopted. Since sponsors do not share in the costs of producing and selling commemorative coins, it is likely that they would continue to solicit support for the approval of coins to support their causes.

Moreover, the Mint Director told us that eliminating surcharges in favor of sharing profits with the sponsors may not result in lower commemorative coin prices, since coin prices would include profits for the sponsors. Because some coin collectors, who represent most buyers of

²⁶H.R. 2614. The House bill would also increase accountability over commemorative coin surcharges. Current law requires recipients of coin surcharges to report expenditures to the Mint and GAO each calendar quarter in which surcharges are received and a final expenditures report within 1 year of the last date that the commemorative coin may be sold. In addition, GAO is required to submit a "financial accounting statement" based on each sponsor's reports, along with any audit conducted, within 1 year of the last date that coins may be sold. The general objective of these provisions is to disclose the amounts of surcharges expended and whether such expenditures were for authorized purposes. This objective would be frustrated if sponsors spend part of the surcharges after the reporting date—1 year after the last date that coins may be sold under governing legislation. The House bill would require sponsors to obtain annual independent audits of surcharges until surcharges were fully expended. To avoid duplication and unnecessary expenses, the House bill would authorize sponsors that obtain annual audits for other purposes to satisfy the surcharge audit requirement in connection with such other audits.

commemorative coins, are dissatisfied with high prices, it appears that coin sales may not increase without lowering prices.

Circulating Commemorative Coins

In addition to its recommendations to reform the existing commemorative coin programs, CCCAC endorsed the issuance of a circulating commemorative coin, which would be legal tender issued with a distinctive design, but without a surcharge and sold at face value. CCCAC indicated that a circulating commemorative coin would produce seigniorage²⁷ for the U.S. Treasury. Under CCCAC's recommendation, the Secretary of the Treasury would select the denomination, when to issue the coin, and its design. Congress has not adopted this recommendation. To authorize a circulating commemorative coin, Congress would need to amend a law originally enacted in 1890, which states that a coin's design may be changed only once within 25 years from the first adoption of the coin's design.²⁸

Our analysis shows that by issuing circulating commemorative coins, the Mint could still commemorate events and individuals and make millions of dollars in additional profits. We estimated that a circulating commemorative coin program involving the quarter could generate \$225 million per year for the government in additional seigniorage, assuming that quarter production would rise by 50 percent.

We based our estimated seigniorage on the Mint's 1995 production of about 2.1 billion quarters, each generating seigniorage of 21.4 cents. We estimated seigniorage by subtracting the cost of producing a quarter in 1995 (\$.036) from the coin's face value (\$.25). We then calculated the additional seigniorage by multiplying the number of quarters produced in 1995 (2,100,000,000) by the volume increase (.50), times the seigniorage on each quarter (\$.214), which equals \$224,700,000.

A 50-percent increase in the production of quarters would appear to be a conservative estimate, based on the experience involving the production of Bicentennial circulating commemorative quarters issued in the United States in 1976, which was 83 percent higher than the average quarter production of the previous 5 years and the subsequent 5 years. Further, our 50-percent estimate of increased production is considerably less than the 156-percent increase in quarter production that Canada experienced

²⁷Seigniorage is the difference between a coin's face value and cost of production.

²⁸31 U.S.C. 5112(d)(2).

when it issued a commemorative quarter in 1992, compared to the average of the previous 5 years.

A circulating commemorative quarter, as opposed to other denominations, may generate the most savings because quarters are the most widely circulated coins; are the largest size of the widely circulating coins and could thus better accommodate a commemorative design on the reverse side; and would be likely to generate the most seigniorage and, thus, interest savings. Although seigniorage itself has no impact on the size of the current budget deficit under budget rules, it does substitute for borrowing from the public and thus lowers interest costs to the government. At current 30-year annual borrowing rates of about 7 percent, generating \$225 million in seigniorage would reduce interest costs by about \$16 million annually.²⁹

In recent history, the U.S. Mint has not attempted to issue commemorative coins that would circulate over several consecutive years. However, the Mint's experience with the Bicentennial coins, especially the quarter, and Canada's experience with circulating commemorative quarters suggest that the public may be receptive to circulating commemorative coins and that coinage demand could increase with the issuance of circulating commemorative coins.

The ANA President suggested issuing circulating commemorative coins that would commemorate the 50 states, perhaps issuing 5 per year. Thus, over a 10-year period, all the states could be commemorated. He said that a circulating quarter, half-dollar, or dollar coin should be considered, but quarters, since they are widely used, would attract the most attention. He also said that because the half-dollars are not widely circulated, they would likely be retained. If more coins were retained, relatively more seigniorage would be generated.

Like circulating commemorative coins, Congress has also authorized that certain events and individuals be commemorated on our nation's stamps. Commemorative stamps are sold at face value and are profitable to the Postal Service when the public buys them but does not use them for postage. A citizens' advisory committee selects commemorative stamps on the basis of extensive public suggestions on themes they are interested in and makes its recommendations to the Postmaster General for approval. A detailed description of the commemorative stamp advisory committee's

²⁹\$225,000,000 x .07 = \$15,750,000.

selection criteria, including a comparison to CCCAC, is provided in appendix III.

Conclusions

The Mint's recent commemorative coin program reflects a set of problems similar to those that the Mint Director reported were experienced from 1892 to 1955. When the commemorative coin program was revived in 1982, Congress intended that the George Washington program and three subsequent programs serve as a means of reducing the national debt. However, instead of using proceeds for debt reduction, the primary intent of most of the recent programs has been to raise funds for coin program sponsors.

To help minimize the potential for future losses, Congress could guard against (1) the selection of themes that are unlikely to have broad appeal to the commemorative coin market, (2) the production of more commemorative coins than the market can absorb, (3) higher prices than the market can bear, and (4) the payment of surcharges to sponsors when the government is losing money. CCCAC's recommendations to reform the commemorative program appear to address some of these issues. For example, limiting the number of programs and coins to be minted could help reduce the number of coins offered. In addition, authorizing the Mint to implement a profit-sharing arrangement between the Mint and sponsors could prevent the payment of surcharges to sponsors when the government is losing money.

However, even if these recommendations were adopted, they would not ensure that commemorative coin themes and prices would be determined on the basis of market research. We believe that to be successful, commemorative coin prices need to be at levels that make them attractive to coin collectors and have themes that are selected on the basis of market research. The costs of such research would have to be considered as well as the benefits. However, because sponsors do not share in the financial risks and costs, they will continue to solicit support for their causes, whether the approval authority rests with Congress or the Treasury Department.

Of CCCAC's recommendations, one would seem to address some of the program's problems while also helping to reduce the national debt. A circulating coin program would lower commemorative coin prices by removing the surcharges, marketing, and packaging costs. It also has the potential to generate \$225 million per year in seigniorage. If this

recommendation were implemented, a circulating commemorative quarter, as opposed to other denominations, might be the best coin to use because quarters are the most widely circulated coins, are the largest size of the widely circulating coins and could thus better accommodate a commemorative design on the reverse side, and would be likely to generate the most seigniorage.

Matters for Congressional Consideration

Congress may want to further consider its intent regarding the commemorative coin program—specifically in terms of whether it wants the program to serve as a means of providing funds to the coins’ sponsors, or reducing the national debt, or both.

For those situations where Congress wants the commemorative coin program to be used as a means of supporting a sponsoring group, it could consider reforming the program by making changes aimed at reducing proliferation and preventing losses, such as limiting the number of programs to one per year, restricting maximum authorized mintage levels, requiring that the selection of themes be based on market research, implementing a profit-sharing arrangement between the Mint and the sponsors, requiring that all of the Mint’s costs be recovered before the sponsors receive financial benefits, and requiring that the prices of commemorative coins be set at levels where the market research indicates the greatest potential for sales.

If Congress would like to increase government profitability on all commemorative coins or for those situations where it would like to apply the proceeds of a commemorative coin program to debt reduction, it could authorize a circulating commemorative coin program. Because the quarter is the highest denomination and the largest in size of the widely circulating coins, it would likely generate the most seigniorage and best accommodate a commemorative design on its reverse side.

Agency Comments and Our Evaluation

We requested comments on a draft of this report from the Director of the Mint. The Director provided written comments, which are contained in appendix V.

The Director said that the report was thorough and insightful. He asked us to add additional information about total financial benefits that the government has received from commemorative coins, including the 1996 Olympic program, and about CCCAC’s effectiveness. The Director also

asked us to eliminate the reform option of reducing the number of commemorative coin programs and replace it with the option of reducing mintage levels. We evaluated the Mint's comments and incorporated the additional information provided by the Mint in the report where appropriate.

The Mint indicated that, in addition to the program profits generated from commemorative coins, the government also benefited from seigniorage, the sale of gold and silver from the nation's stockpiles, and the absorption of overhead costs. We added this information to pages 6 and 31-32 of the report.

The Mint also asked us to cite the program profits and surcharges deposited to the Treasury from commemorative coins. These figures were provided on pages 5-6 and 27-32 and shown in table III.1.

The Mint also asked us to include updated information about the financial performance of the 1996 Olympic program, which we did on page 28.

In addition, the Mint cited a number of philanthropic uses for the surcharges, which we included on page 32.

The Mint also asked us to recognize the CCCAC's efforts in persuading the 1996 Olympic program sponsor and Congress to reduce the authorized mintage levels for the program. While CCCAC may have had some effect on persuading Congress to approve a measure in 1995 to reduce the maximum authorized mintage level for the 1996 Olympic coin program, an average of 6.7 million coins remained authorized for each of the program's 2 years. By contrast, during the 1990s, the Mint has sold an average of 2.8 million coins per year.

The Mint also noted what it believed to be an implication in the report that Congress ignored a call by the Secretary of the Treasury in August 1994 for a moratorium on the authorization of any additional commemorative coin programs until CCCAC issued its recommendations by authorizing five additional programs the following month. According to the Mint, the Treasury Secretary called for the moratorium because these five programs were already included in the conference report of the Riegle-Neal Interstate Banking and Branching Efficiency Act bill. We added this information on page 16.

The Mint also indicated that CCCAC played an instrumental role in restraining the proliferation of commemorative coin programs by requesting a moratorium on additional programs in a letter to the House and Senate Banking Committees in August 1994. As evidence, the Mint stated that since that time, only one commemorative coin program, which was recommended by CCCAC, has been passed by Congress. While CCCAC may have played a role in persuading Congress to not pass more than one commemorative coin program since August 1994, we note that other contributing factors could also have been involved. For example, during the 104th Congress, the House Banking and Financial Services Committee adopted a new rule requiring that before hearings may be held on proposed commemorative coin legislation, the bill must be cosponsored by at least two-thirds of the House of Representatives, and it must be recommended by CCCAC. Similarly, the Senate Banking, Housing, and Urban Affairs Committee adopted a new rule requiring that at least two-fifths of the Senate cosponsor any commemorative coin legislation before it will be considered. In addition, Senate Banking Committee staff indicated to us that the Committee did not consider any commemorative coin legislation in 1996 pending receipt of this report.

The Mint also expressed concern over the draft report's statement that as of May 1996, Congress had adopted only 1 of the 11 themes that CCCAC recommended for 1995 through 2002. According to the Mint, this statement could be read to suggest that CCCAC was not being effective in its advisory role to Congress and that themes other than those recommended by CCCAC have been adopted by Congress. We added to p. 36 that, according to the Mint, the fact that the Smithsonian coin program has been the only commemorative coin bill to be enacted since the moratorium request in August 1994 demonstrates that CCCAC is now being heard by Congress, considering that CCCAC stated in its two reports to Congress that the Committee's first priority was to restrain the proliferation of commemorative coin programs.

The Mint also asked us to consider including reducing the authorized mintage levels, rather than the number of programs per year, as a reform option. We included reducing mintage levels as an additional reform option, but believe it should be coupled with a limit on the number of programs per year. When we stated that prices of commemorative coins should be set at levels where market research indicates the highest sales potential, we were suggesting that authorized mintages be set at reasonable levels. Even if mintage levels for numerous commemorative coin programs were low, coin collectors may not be able to afford to

purchase coins offered from multiple programs. As discussed on p. 35, past history shows that the programs that sold the most coins did not compete with any other concurrent programs. Thus, we believe that to be most effective, both mintage levels and the number of programs should be lower than in the past several years.

The Mint also asked us to delete a statement in the draft that because the Mint does not produce all commemorative coins authorized, higher authorizations than sales do not seem to be an operational problem. We agreed to delete the statement after considering the Mint's position that restricting the supply of coins creates the potential for commemorative coins to retain their value in secondary markets, which could reward collectors who bought them and generate greater interest in future programs.

Historical Perspective on Commemorative Coins

In 1892, Congress initiated a commemorative coin program by authorizing the U.S. Mint, a unit of the Treasury Department responsible for producing circulating coins, to issue a half-dollar coin commemorating the Columbian Exposition. For 1892 through 1954, Congress authorized the Mint to produce 157 commemorative coins commemorating 53 different events, occasions, or individuals. The 157 commemorative coins included 1 quarter, 142 half-dollars, 1 silver dollar, 9 gold dollars, 2 \$2.50 gold pieces, and 2 \$50 gold pieces.

Congress was urged to approve legislation authorizing these commemorative coins by private groups who sponsored specific celebrations or events. After the coins were minted, the Mint sold them at face value to the sponsoring organizations, who then resold the coins to the public. Beginning with the 1892 Columbian Exposition commemorative coin, Congress allowed sponsors to sell the commemorative coins for more than their face value as a means of raising money for their causes.

In 1925, the House Committee on Coinage, Weights, and Measures went on record as not favoring legislation authorizing additional commemorative coins because of “. . . the great number of bills introduced to commemorate events of local and not national interest, and because such quantities of coins so authorized had to be taken back by the government, melted, and reminted.”³⁰ Further, then-Secretary of the Treasury Andrew W. Mellon recommended in 1926 that the coins should not be commercialized to finance any project or to commemorate any event other than those of national importance to all the people.

In 1930, President Hoover vetoed a bill authorizing the coinage of silver 50-cent pieces to commemorate the 75th anniversary of the Gadsden Purchase.³¹ In his veto message, President Hoover said that selling commemorative coins for a profit and as a means to provide funding for celebrations was a misuse of the coinage system and because the coins did not circulate, they did not serve the real function of coins. Further, President Hoover said that:

“The very number of events to be commemorated, and past experience, indicates how difficult it is to draw the line and how such a practice, once it is recognized, tends constantly to grow. It is not apparent on what grounds similar measures, no matter how

³⁰House Report No. 1342, 69th Cong., 2d Sess., 1925.

³¹The Gadsden Purchase was a tract of land, now part of Arizona and New Mexico, that was purchased by the United States from Mexico in 1853.

Appendix I
Historical Perspective on Commemorative
Coins

numerous, may be rejected. Yet their enactment in such numbers must bring further confusion to our monetary system.”

President Hoover’s veto had the effect of discouraging further commemorative coin legislation until 1933. However, from 1933 to 1935, Congress approved nine new commemorative coins, prompting President Roosevelt to write the Chairman of the Senate Committee on Banking and Currency in 1935, reiterating many of the concerns raised by President Hoover. President Roosevelt wrote that:

“These coins do not have a wide circulation as a medium of exchange, and, because of the multiplicity of designs arising from the issuance of such coins, they jeopardize the integrity of our coins and cause confusion. Accordingly, I think the practice of striking special coins in commemoration of historical events and permitting the sponsoring organizations to sell them at a profit is a misuse of our coinage system, which is assuming increasingly dangerous proportions.”³²

In 1937, President Roosevelt signed legislation authorizing two commemorative coins, but the legislation also contained the following reform elements: (1) their issuance was to be limited to 1 mint to be selected by the Mint Director; (2) at least 25,000 commemorative coins had to be issued at any one time; (3) each coin was to have but 1 authorized design; (4) each coin was to bear the date of the year in which it was authorized; and (5) all coins were to be issued within 1 year from the date of enactment of the authorizing act.

However, in 1937, President Roosevelt again wrote the Chairman of the Senate Banking and Currency Committee about the “alarming increase” in the demand for legislation authorizing the issuance of coins commemorating events, “many of which are of no more than local significance.” The President also cited a law originally enacted in 1890 stating that

“ . . . no change in the design or die of any coin shall be made oftener (sic) than once in 25 years from and including the year of the first adoption of the design, model, die, or hub, for the same coin . . . “

In 1939, Congress approved a bill repealing all pending authorizations of commemorative coins after concerns were raised about abuses in the

³²Although the Mint has issued some circulating commemorative coins, such as those produced from 1975 through 1977 to commemorate the U.S. Bicentennial, commemorative coins are not generally circulated.

program.³³ A congressional report accompanying the repeal legislation indicated that the number of commemorative coin programs had exploded and no controls existed over what dealers could charge for the coins, resulting in increased possibilities for counterfeiting and detracting from the fundamental purpose for which money is issued, namely, to provide a medium of exchange. Further, the report indicated that “no country in the world permits such abuse of its coinage as has been permitted in this country.” The report also cited the 1890 law barring the change in coinage more than every 25 years, saying that it had been “. . . honored in the breach more than in the observance.”

In 1946, the House Committee on Coinage, Weights, and Measures reported that while it recommended authorization of legislation commemorating Booker T. Washington, it was

“. . . fully cognizant of, and in general accord with, the attitude of the Treasury Department regarding the too promiscuous issuance of commemorative coins in commemoration of events of local or minor importance and the resultant abuses possible or attendant thereto. Therefore, it feels that every bill of this nature should be carefully considered and judged solely on its individual merits.”³⁴

Also in 1946, President Truman approved the legislation authorizing coins commemorating Booker T. Washington and the 100th anniversary of the admission of Iowa into the Union. However, the following year, President Truman vetoed bills that would have authorized 50-cent pieces to commemorate the 100th anniversary of the admission of Wisconsin into the Union. In a statement disapproving the bill, President Truman said that if the legislation were to be enacted, it was not apparent on what ground similar measures, no matter how numerous, could be rejected.

In 1948, President Truman vetoed another bill that would have commemorated the 100th anniversary of the organization of Minnesota as a Territory of the United States. In his veto message, President Truman, as had Presidents Hoover and Roosevelt, recommended that commemorative medals, rather than commemorative coins, be issued for events of national importance.³⁵ Nonetheless, President Truman approved a commemorative coin with the profiles of Booker T. Washington and George Washington Carver, which was issued from 1951 through 1954.

³³P.L. 76-278.

³⁴House Report No. 2506, 79th Cong., 2d Sess., 1946.

³⁵According to a Mint official, the only major difference between commemorative coins and medals is that while the coins are legal tender, medals are not.

Congress did not approve legislation authorizing the Mint to produce any commemorative coins from 1955 through 1981. According to a Mint official, Congress was reluctant to approve any commemorative coin legislation during that period because the market was saturated with commemorative coins and because of the past abuses that had occurred in the program. According to ANA, abuses that had occurred included (1) the authorization of many commemorative coins reflecting local, rather than national, interests; (2) the sale of commemorative coins by private organizations at exorbitant prices, with the federal government having received none of the profits; and (3) a requirement that the Mint strike coins bearing different dates and marks.³⁶

The commemorative coin program was reactivated in late 1981 when Congress approved legislation authorizing the George Washington coin. A Mint official said that the commemorative coin program was reactivated because the numismatic community expressed support to Congress for issuing commemorative coins with certain popular themes. The legislative history regarding the George Washington coin indicated that its congressional sponsors were interested in authorizing the coin as a means of reducing the national debt.³⁷ In May 1981 testimony before the House Banking Committee, the ANA President said he supported the George Washington coin because it avoided the past abuses by (1) using a theme that was of national, rather than local, interest; (2) requiring that the Treasury receive the sales proceeds, including the profits, rather than private organizations; and (3) issuing the coin only during 1 year.

³⁶The wording of many commemorative coin bills allowed the same coin to bear several different dates. Further, mint marks identifying where each coin was struck created a variety of coins.

³⁷In 1981, when the legislation was being considered, the national debt was nearly \$1 trillion. As of February 1996, the national debt was nearly \$5 trillion.

Future Authorized Commemorative Coin Programs and Proposed Programs

Congress has authorized six commemorative coin programs for 1996 through 2002. Legislation is also pending in Congress to authorize 17 new commemorative coin programs. Tables II.1 and II.2 list the future authorized programs and the proposed programs, respectively.

Table II.1: Future Commemorative Coin Programs Authorized

Year	Program	Denomination(s)	Number of coins authorized
1996	Centennial Olympic Games-Second Year	\$.50, \$1, \$5	10,600,000 ^a
1996	Smithsonian Institution ^b	\$5, \$1	750,000
1996	National Community Service	\$1	500,000
1997	U.S. Botanic Garden	\$1	500,000
1998	Robert F. Kennedy	\$1	500,000
2002	U.S. Military Academy	\$1	500,000
Total			13,350,000

^aIn December 1995, Congress approved a measure to decrease the authorized mintage level for the 1995-1996 Olympic coin program from 17,950,000 to 13,300,000. That measure was approved by the President in December 1995 (P.L. 104-74).

^bThis program was authorized by Congress in December 1995 and was approved by the President in January 1996 (P.L. 104-96).

Source: P.L. 102-390, P.L. 103-328, and P.L. 104-96.

**Appendix II
Future Authorized Commemorative Coin
Programs and Proposed Programs**

**Table II.2: Legislation Proposed for
Commemorative Coin Programs
Pending in the 104th Congress**

Proposed coin themes	Dates of issuance	Maximum no. of coins
Bicentennial of United States Gold Coinage ^a	1995	25,000
Black Revolutionary War Patriots	May 1995- May 1996	500,000
Connecticut Old State House Bicentennial	1996	700,000
Franklin Delano Roosevelt ^b	1997	100,000
Franklin Delano Roosevelt ^b	1997	500,000
George C. Marshall	1997	1,200,000
George Washington	1999	100,000
James Madison	2001	800,000
National Law Enforcement Officers Memorial	1997	500,000
Smithsonian Institution ^{b,c}	Aug. 1996-Aug. 1997	900,000
Smithsonian Institution ^b	Aug 1996- July 1997	900,000
Theodore Roosevelt	1998	5,250,000
Thomas Edison	1997	700,000
Thurgood Marshall	1 year, 90 days after enactment	500,000
United Nations and President Truman	1 year, starting in 1996	425,000
United Nations 50th Anniversary	June 1995-Dec. 2002	600,000
U.S Buffalo Nickel	1998-2000	1,000,000
U.S. Navy Blue Angels	1996	500,000
Yellowstone National Park	1997	500,000
Total		15,700,000

^aWhile the House bill commemorates the Bicentennial of United States Gold Coinage, the Senate bill commemorates the Bicentennial of the United States.

^bBills for these coin programs have different sponsors.

^cThis bill was introduced by a Member of Congress who has since retired. In addition, in December 1995, Congress approved another measure authorizing a Smithsonian commemorative coin.

Sales and Financial Performance of Commemorative Coin Programs From 1982 Through 1995

From 1982 to 1995, the Mint had 22 commemorative coin programs. The sales and financial performance of those programs, including surcharge recipient organizations and how much they received, number of coins sold, the amount of money that was designated for reducing the national debt, and profit to the Mint, is provided in table III.1.

Table III.1: Mint Data on Sales and Financial Performance of Commemorative Coin Programs From 1982 Through 1995, by Program

Year	Program	Recipient organization	Number of coins sold	Sales revenue (in millions)	Surcharges paid to sponsors (in millions)	Surcharges paid for debt reduction (in millions)	Mint net profit (in millions) ^a
1982	George Washington 250th Birthday	Federal Treasury	7,104,502	\$71.8	N/A	N/A ^b	\$14.4 ^b
1984	Olympic Games	Los Angeles Olympic Organizing Committee	5,045,474	315.3	\$73.5	N/A	10.3
1986	Centennial of the Statue of Liberty and Ellis Island	Statue of Liberty-Ellis Island Foundation Inc.	15,491,169	290.0	83.2	N/A	28.6
1987	U.S. Constitution Bicentennial	Federal Treasury	4,064,629	256.4	N/A	52.7	34.6
1988	Olympic Games	U.S. Olympic Committee	1,895,112	111.1	22.9	N/A	1.0
1989	U.S. Congress Bicentennial	U.S. Capitol Preservation Commission	2,040,640	71.2	14.6	N/A	6.0
1990	Eisenhower Birthday Centennial	Federal Treasury	1,386,130	40.0	N/A	9.7	(1.1)
1991	Mt. Rushmore 50th Anniversary	Mt. Rushmore National Memorial Society of Black Hills	1,941,519	62.7	12.1	N/A ^c	10.3
1991	Korean War 38th Anniversary	Korean War Veterans Memorial Fund	831,537	22.5	5.8	N/A	2.4
1991	United Service Organization 50th Anniversary	United Service Organization and Federal Treasury	446,233	12.0	1.55 ^d	1.55 ^d	0.0
1992	Olympic Games	U.S. Olympic Committee and Los Angeles Olympic Organizing Committee	1,478,354	46.6	9.2	N/A	1.8

(continued)

**Appendix III
Sales and Financial Performance of
Commemorative Coin Programs From 1982
Through 1995**

Year	Program	Recipient organization	Number of coins sold	Sales revenue (in millions)	Surcharges paid to sponsors (in millions)	Surcharges paid for debt reduction (in millions)	Mint net profit (in millions) ^a
1992	White House 200th Anniversary	White House Endowment Fund	499,654	13.4	5.0	N/A	0.8
1992	Christopher Columbus Quincentenary	Christopher Columbus Fellowship Foundation	1,122,105	36.3	7.6	N/A	6.0
1993	Madison-Bill of Rights	James Madison Memorial Fellowship Trust	1,515,454	46.8	9.2	N/A	3.5
1993	World War II 50th Anniversary	Battle of Normandy Memorial; World War II Memorial	1,054,447 ^e	32.2 ^e	7.8 ^e	N/A	3.3 ^e
1994	World Cup USA	World Cup USA Inc.	1,548,237 ^e	45.4 ^e	9.3 ^e	N/A	(4.1) ^e
1994	Thomas Jefferson 250th Birthday	Thomas Jefferson Memorial Foundation; Corporation for Jefferson Poplar Forest	599,832	18.7	6.0	N/A	0.2
1994	U.S. Veterans (Prisoner of War; Women in Military Service; Vietnam Veterans)	Vietnam Veterans Memorial; POW Museum; Women in Military Service for America Memorial	840,531 ^e	22.9 ^e	8.2 ^e	N/A	0.6 ^{e,f}
1994	U.S. Capitol Bicentennial	U.S. Capitol Preservation Commission	347,911 ^e	12.7 ^e	5.2 ^e	N/A	(0.1) ^e
1995	Olympic Games	U.S. Olympic Committee; Atlanta Committee for the Olympic Games	1,564,520 ^{e,g}	70.0 ^{e,g}	18.0 ^{e,g}	N/A	(3.2) ^{e,g}
1995	Anniversary of Civil War Battlefield Preservation	Civil War Trust	889,544 ^{e,g}	32.0 ^{e,g}	6.0 ^{e,g}	N/A	(0.4) ^{e,g}
1995	Special Olympics	Special Olympics International	441,747 ^{e,g}	11.0 ^{e,g}	4.4 ^{e,g}	N/A	(0.3) ^{e,f}
1982-1995			52,149,281	1,641	\$309.55	\$63.95	\$114.6

(Table notes on next page)

**Appendix III
Sales and Financial Performance of
Commemorative Coin Programs From 1982
Through 1995**

^aBefore 1992, when Congress established PEF, profits from commemorative coins were deposited into the Treasury. After 1992, profits were deposited into PEF.

^bAlthough the legislation authorizing the George Washington coin specified that surcharges on the coins be used for debt reduction, Mint data did not separate the portion representing surcharges from program profits.

^cCongress originally required that half of the surcharges from the Mt. Rushmore coin be used for reducing the federal debt. In 1994, Congress amended the law, requiring that the first \$18,750,000 in surcharges be provided to the sponsor, with the remainder to be used for debt reduction. Because less than \$18,750,000 was earned in surcharges, all of the surcharges were paid to the sponsor.

^dCongress required that half of the surcharges were to be provided to the sponsor and half deposited to the federal Treasury for debt reduction.

^eAccording to the Mint, these figures are unaudited and subject to change.

^fAs of September 30, 1995. More current profit data are not yet available from the Mint. Does not include profits earned from the sale of 1,279 coins sold for the Veterans program from October 1, 1995, through December 31, 1995, and 263,551 coins sold for the Special Olympics program during the same period.

^gAs of March 31, 1996.

Comparison of Commemorative Stamp and Coin Programs

Like commemorative coins, Congress has authorized that certain events and individuals be commemorated on our nation's stamps. The sale and selection of commemorative stamps are handled differently from commemorative coins, however. While Congress selects commemorative coin themes, the Postmaster General selects commemorative stamp themes, based on the recommendations of an advisory committee. In addition, although sponsoring organizations are authorized to receive the surcharges placed on commemorative coins, the U.S. Postal Service retains all proceeds from the sales of commemorative stamps. Further, commemorative stamp prices are set at their face value, not at prices that are many times their face value.

Selection Processes for Commemorative Stamps and Coins

In contrast to commemorative coins, which are sold at prices that are many times their face value in part because they include surcharges for sponsoring organizations, commemorative stamps are sold at face value. While commemorative coins are considered collectibles, commemorative stamps are used for both postage and collecting. Moreover, commemorative coin program sponsors benefit from the sales of coins without sharing any of the financial risks, while the Postal Service assumes all of the risks and benefits from the sales of commemorative stamps.

In 1957, the Citizens' Stamp Advisory Committee (CSAC) was established to eliminate political involvement in the selection of commemorative stamps. Before then, according to the CSAC program officer, Congress determined which commemorative stamps should be issued.

CSAC and CCCAC differ with regard as to how they receive public input. The public makes suggestions to CSAC regarding commemorative stamp themes through the mail, which can give an indication of themes that may interest purchasers. It receives about 40,000 mailed suggestions per year, but groups are not permitted to make presentations to the committee. By contrast, CCCAC permits potential sponsors to make presentations to the committee but does not regularly receive mailed suggestions and gets little information on the themes that interest commemorative coin collectors. For example, in recent years, CCCAC has received 381 mailed suggestions in response to solicitations placed in numismatic publications. Further comparisons of CSAC and CCCAC selection criteria are shown in table IV.1.

**Appendix IV
Comparison of Commemorative Stamp and
Coin Programs**

Table IV.1: Comparison of CSAC and CCCAC

CSAC	CCCAC
Established in 1957.	Established in 1993.
15 members selected by the Postmaster General.	7 members selected by the Treasury Secretary.
Committee meets quarterly.	Committee meets approximately bimonthly.
The public makes suggestions regarding commemorative stamp themes through the mail. Groups are not permitted to make presentations to the committee.	The public is permitted to make presentations to the committee regarding future commemorative coin programs, but is not limited to those programs recommended by CCCAC.
Committee makes recommendations on commemorative stamp themes to the Postmaster General, who decides whether to adopt or veto them.	Committee makes recommendations on commemorative coin themes to Congress, which decides whether to adopt them. Congress also receives recommendations directly from coin sponsors.
Committee does not allow outside groups to receive financial compensation from the sale of commemorative stamps.	Congress allows sponsors to receive surcharges on commemorative coin sales.

Sources: CSAC and CCCAC.

CSAC and CCCAC have established some similar criteria in selecting themes for new commemorative stamp and coin programs. According to the CSAC criteria, only events and themes of widespread national appeal and significance will be considered for commemoration. Similarly, CCCAC criteria specify that “[h]istorical persons, places, events, and themes to be commemorated should have an enduring effect on the Nation’s history or culture” and that their scope should be national or international. According to both CSAC and CCCAC, themes should not be selected that commemorate (1) a living person, (2) a theme already selected in the past 10 years, and (3) commercial enterprises and products. Further, the CSAC criteria indicate that stamps shall not be issued to honor cities, towns, municipalities, counties, primary or secondary schools, hospitals, libraries, or similar institutions. CCCAC criteria also indicate that state or regional anniversaries with little or no national significance and local institutions, such as governments, universities, and public and private schools, should not be considered.

A significant difference between the two sets of criteria is that CSAC does not allow stamps honoring fraternal, political, sectarian, or service/charitable organizations that exist primarily to solicit and/or distribute funds, while CCCAC criteria do not address this issue. Further, while CSAC criteria indicate that events of historical significance be

**Appendix IV
Comparison of Commemorative Stamp and
Coin Programs**

considered only on anniversaries in multiples of 50 years, CCCAC criteria indicate that historical events should generally be considered for commemoration “on important or significant anniversaries.” A detailed comparison between the two sets of criteria is provided in table IV.2.

Table IV.2: Comparison of Selection Criteria for Commemorative Coins and Stamps

CSAC	CCCAC
No living person shall be honored by portrayal on U.S. postage.	No living person should be honored by commemoration on U.S. coins.
No stamp shall be considered for issuance if one treating the same subject has been issued in the past 10 years. The only exceptions to the rule will be those stamps issued in recognition of traditional themes such as Christmas, the U.S. flag, express mail, love, etc.	Commemorative themes and designs should not be considered if one treating the same subject has been issued in the past 10 years.
Events of historical significance shall be considered only on anniversaries in multiples of 50 years.	Historical events should generally be considered for commemoration on important or significant anniversaries.
Only events and themes of widespread national appeal and significance will be considered for commemoration. It is a general policy that U.S. postage stamps primarily feature American or American-related subjects. Stamps shall not be issued to honor fraternal, political, sectarian, or service/charitable organizations that exist primarily to solicit and/or distribute funds. Nor shall stamps be issued to honor commercial enterprises or products. Stamps shall not be issued to honor cities, towns, municipalities, counties, primary or secondary schools, hospitals, libraries, or similar institutions. Stamps shall not be issued to honor religious institutions or individuals whose principal achievements are associated with religious undertakings or beliefs.	Historical persons, places, events, and themes to be commemorated should have an enduring effect on the nation's history or culture. Their significance should be national or international in scope. Events to be commemorated should have national or international significance and draw participation from across America or around the world. The following themes are considered inappropriate for commemoration: state or regional anniversaries with little or no national significance; local institutions such as governments, universities, and public and private schools; commercial enterprises and products; and organizations, individuals, and themes principally sectarian in nature.
Commemorative stamps honoring individuals usually will be issued on, or in conjunction with, significant anniversaries of their birth, but no postal item will be issued sooner than 10 years after the individual's death. The only exception to the 10-year rule is the issuance of stamps honoring deceased U.S. Presidents, who may be honored with a memorial stamp on the first birth anniversary following death.	
Stamps with added values, referred to as “semi-postals,” shall not be issued. Due to the vast number of worthy fund-raising organizations in existence, it would be difficult to single out specific ones to receive such revenue. There also is a strong U.S. tradition of private fund-raising for charities, and the administrative costs involved in accounting for sales would tend to negate the revenues derived.	
Requests for observance of statehood anniversaries will be considered for commemorative stamps only at intervals of 50 years from the date of the state's first entry into the Union.	
Requests for commemoration of significant anniversaries of universities and other institutions of higher education shall be considered only in regard to Historic Preservation Series postal cards featuring an appropriate building on the campus.	

(continued)

**Appendix IV
Comparison of Commemorative Stamp and
Coin Programs**

CSAC	CCCAC
	Commemorative coins should be issued in the appropriate year of commemoration. Coins should be dated in the year of their issuance.
	Commemorative coinage designs should reflect traditional American coin iconography as well as contemporary developments in the arts.
	Designs should be determined in consultation with sponsoring organizations but should not be determined by legislation.
	Commemorative coinage should not be required to contain logos and emblems of nongovernmental organizations as part of the design.
	Legislation authorizing the production of coins should be enacted no less than 9 months prior to the date on which the coins may first be available to the public.

Sources: CSAC and CCCAC.

Comments From the Mint



DIRECTOR
OF THE
MINT

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

June 21, 1996

Mr. J. William Gadsby
Director, Government Business
Operations Issues
General Accounting Office
441 G Street, N.W.
Washington, D.C. 20548

Dear Mr. Gadsby:

Thank you for the opportunity to review your draft report on U.S. commemorative coins. As we agreed, we have annotated a copy of the draft to reflect our technical changes and have included our substantive comments as well.

The report is thorough and insightful, and it undoubtedly will assist the Senate Banking Committee in its consideration of commemorative coin reform legislation. We especially found the Report's discussion of the stamp advisory committee to be very informative and useful.

Sincerely,

Philip N. Diehl
Director
United States Mint

Enclosures

**GAO DRAFT REPORT
ON
UNITED STATES COMMEMORATIVE COINS**

(UNITED STATES MINT COMMENTS)

I. We Recommend GAO Present In Its Report The Total Benefit Received by the Federal Government from the Commemorative Coin Program Since 1982.

We recommend that the GAO Draft Report (Report) more completely present the financial performance of the commemorative coin program and total benefit received by the Federal government from all programs since 1982. By doing so, we believe it becomes clear that the commemorative coin program provides considerable financial benefits to the Treasury and should be strengthened through reform. More importantly, it also will demonstrate to Congress that even greater benefits may be realized if the program is put back on track.

The Report generally focuses on only one narrow measure -- profitability of a program from the perspective of the Mint's Public Enterprise Fund. We believe other broader financial measures, in the form of program profits and surcharges deposited to the general fund, proceeds from the sale of gold from the Treasury Bullion Fund and from the sale of silver from DLA stockpiles, and seigniorage profits generated from the sale of clad coinage, are equally relevant and should be fully recognized in the Report. Likewise, the amount of fixed overhead expense that has been absorbed since 1982 by commemorative coin programs should be addressed as well, especially in the Executive Summary.

Since the Mint began selling commemorative coins in 1982, commemorative programs have raised \$170 million dollars in profits for the Treasury's general fund. In addition, the sale of clad commemorative coins has generated another \$6 million in seigniorage profits since 1982. These profits are in excess of both direct program expenses and allocated fixed overhead assigned to the programs. However, as GAO recognizes in the Report, over the past five years these programs have become less profitable (only \$11 million), reflecting the fact that Congress has approved too many programs with too high mintages to be absorbed by our market.

When fixed overhead expenses are taken into consideration, the benefits generated by these programs for the Treasury are even clearer. The Mint allocates a

portion of its fixed overhead to its numismatic and bullion programs, including commemoratives. In the past five years alone, allocated overhead recovered through commemorative programs is approximately \$75 million (since 1982, we estimate the overhead absorbed is \$180 million). These expenses would not be significantly affected if commemorative programs were eliminated -- for example, the costs of senior management at the Mint and the three field facilities that produce commemoratives and security costs at West Point, Philadelphia and San Francisco. The recovery of \$75 million in overhead is a significant benefit for the Treasury. By way of comparison, over the same five years the Mint's total appropriation was \$268 million. If there had been no commemorative programs, the Treasury's general fund would have borne these expenses either as an appropriation or in the form of reduced profits from other numismatic programs.

Commemorative programs also generate a third source of funds for the Treasury: proceeds from the sale of gold and silver from Federal stockpiles. In the case of silver, the Defense Logistics Agency (DLA) has held stocks of silver for decades, dating to before World War II. DLA sought for years to find a way to liquidate these assets but faced opposition in Congress from silver mining interests who feared disposal of 137 million ounces of silver would depress prices for many years. The Mint's commemorative program, and our Silver Eagle bullion program, resolved this dilemma. Over the past decade, we have disposed of more than half of the DLA stockpile without a significant impact on prices. In the process, our commemorative programs have generated \$157 million in proceeds from silver sales.

In the case of gold, we purchase supplies from the Treasury bullion account at world gold prices. The difference between the book value of the gold (\$42.22), an approximation of the historic acquisition cost of the asset, and the spot price is deposited in the Treasury's general fund. The book value is deposited in the Treasury bullion fund. Since 1984, our commemorative programs have generated \$375 million in revenue from the sale of gold.

The proceeds from the sale of gold and silver can be viewed in two ways. The difference between the spot prices of silver and gold and their book values, which are based on their historical acquisition costs, can be considered a capital gain for the Treasury. In this context, the difference can be considered a profit earned for the Treasury through the Mint's commemorative program. Alternatively, the sales of gold and silver can be viewed as an asset sale of the Federal government. From this point of view, the commemorative programs provide a means for the Treasury to convert hard assets into revenue that can be used to lower the deficit or avoid additional tax increases.

Finally, despite the controversy associated with the practice of adding surcharges to the price of our commemorative coins, there has been considerable good that has come from the \$350 million raised for a wide variety of philanthropic purposes. For example, such purposes include to provide support for training U.S. Olympic hopefuls, to preserve national landmarks like the Statue of Liberty, Monticello, Mount Rushmore, and the Vietnam Veterans Memorial, and to build public facilities such as the Women in Military Service Memorial in Arlington Cemetery and a visitors center at the U.S. Capitol.

II. As An Example Of A Program's Total Financial Performance, The Report Should More Fully Discuss The Current Financial Performance Of The 1995/1996 Atlanta Olympic Commemorative Coin Program.

In the Executive Summary (page 6) and the text of the Report (page 42), there are references to a loss of \$3 million as of March 31, 1996 for the Atlanta Olympic Commemorative Coin program. As stated above, we recommend the Report more fully address the broader financial situation of the commemorative coin program, and the Atlanta Olympic program can serve as a specific example. The Atlanta Olympic commemorative coin program, the largest commemorative coin program ever undertaken by the Mint, has required significant start-up expenses in market-building, customer awareness, sales infrastructure, and distributor support. Those expenses occurred in 1994 and 1995, long before the pivotal, pre-Games sales period, which began with the Torch Run Across American on April 27, 1996.

Furthermore, our FY95 revenues included cash-in-hand receipts, and -- as conservative accounting practice requires -- excluded \$28 million in sales for which we have contracts, even though those contracts represent a legal obligation of payment. As a result, our most recently reported figures show the Olympic program operating at a \$2.7 million loss for the Mint's Public Enterprise Fund.

As stated above, there are several key numbers which we report to the Congress regarding the financial results of commemorative programs, not only the program profit/loss figure. One of those financial measures is the extent to which a program boosts the Mint's total profitability by absorbing overhead. A program that on paper may lose a dollar may have absorbed two dollars in overhead that otherwise would be spread over other programs, thereby reducing total Mint profits. Moreover, as

discussed above, conventional bottom line measures do not show profits that commemorative programs produce for the American people via the Mint's purchases of gold and silver or returns that surcharges produce for program beneficiaries.

Therefore, while the Olympic program has posted a \$2.7 million loss, it has also increased the profitability of the Public Enterprise Fund by absorbing \$14 million in fixed overhead of the Mint. The program has also generated \$13.8 million in revenues for the Treasury from the sales of gold and silver from the national stockpiles. Finally, the program has generated \$25 million in surcharges for the training of American Olympic hopefuls and the staging of the Atlanta Games.

III. The Report Should Recognize The Effectiveness Of the Citizens Commemorative Coin Advisory Committee In Its Reform Efforts To Date.

While we appreciate the Report's discussion of the reform proposals of the Citizens Committee Coin Advisory Committee (Committee or CCCAC) as stated in their First and Second Reports to Congress, we believe the Report also should recognize the major accomplishments achieved by the CCCAC in its 2 ½ year history in effectuating reform of the commemorative coin program. Without this information, we are concerned the reader may reach the opposite conclusion, especially in view of some of the statements made in the Report which can be read to question the effectiveness of the Committee's work with Congress.

For example, the Report (pages 12 - 13) states, in part, "Congress has not followed the committee's recommendation regarding authorized mintage levels, having authorized nearly 12 million coins for 1996," To the contrary, the Committee, with crucial support from the leadership of the House and Senate Banking Committees, has achieved several major accomplishments in reducing mintage levels for 1996 and future years. It is important to realize the enabling legislation for the Atlanta Olympic commemorative coin program (P.L. 102-390, October 6, 1992) which authorized over 10 million coins for 1996, was enacted in 1992, over one year before the CCCAC members were even selected. Thus, the CCCAC had no involvement whatsoever with the high authorized mintage levels of the Atlanta Olympic coin program.

However, as a result of the CCCAC's efforts last year, an agreement with the Atlanta Committee for the Olympic Games was reached to reduce the authorized mintage levels for the Atlanta Olympic coins. The unprecedented reduction of

4.65 million coins was recommended in response to numismatists' concerns that the program called for mintages in excess of those supportable by secondary markets. The CCCAC was in part responsible for the passage of this legislation on December 5, 1995. Moreover, the total authorized mintages for all commemorative programs authorized by Congress over the past three years are the lowest for any three-year period in the history of the Mint's modern commemorative program.

The CCCAC also played an instrumental role in requesting a moratorium on additional commemorative programs in a letter to then-Senate Banking Committee Chairman Riegle and then-House Banking Subcommittee chairman Kennedy, dated August 8, 1994. Since that time, no commemorative coin bills have been passed by either Committee, with the one exception of the Smithsonian coin program which was endorsed by the CCCAC and fully met the House Banking Subcommittee rules which require a co-sponsor threshold for congressional consideration of coinage legislation.¹

The Committee also has established an excellent relationship with Congress, and especially with the House Subcommittee on Domestic and International Monetary Policy, which has jurisdiction over commemorative coin matters. Chairman Michael N. Castle and his staff have been very interested in and supportive of commemorative reform. The CCCAC has met with the Chairman and his staff to discuss commemorative coin proliferation. Discussions stemming from a meeting in early 1995 led Chairman Castle to examine the issue at a hearing on July 12, 1995, at which 2 of the 5 witnesses who testified were CCCAC members. As a result of the hearing and further discussions between the CCCAC and Chairman Castle and his staff, commemorative coin reform legislation was introduced and passed the House of Representatives on December 5, 1995.

Lastly, we are concerned over the Report statement that "[a]lthough Congress directed the CCCAC to make commemorative coin theme recommendations to it, as of May 1996, Congress had adopted only 1 of the 11 themes that the CCCAC recommended for 1995 through 2002." (Report, page 53; see also, Executive Summary,

¹On page 24, the Report states that one month after the moratorium calling for no more commemorative coin programs, legislation was enacted authorizing five additional coin programs. The implication is that Congress ignored the moratorium request and immediately authorized more programs. That is simply not true; it was these five programs, already included in the conference report of the Riegle-Neal Interstate Banking and Branching Efficiency Act of 1994 (P.L. 103-328) which led the CCCAC and then-Secretary Bentsen to seek the moratorium in the first place. As stated above, the moratorium has been fully effective to date.

page 12.) This statement could be read as suggesting the CCCAC is not being effective in its advisory role to Congress, and that themes other than those recommended by the CCCAC have been adopted by the Congress. However, that is not the case. The fact that the Smithsonian coin program has been the only commemorative coin bill to be enacted since the moratorium request in August 1994 demonstrates that the CCCAC is now being heard by Congress. In both the First and Second Reports to the Congress, the Committee stated that its first priority must be to restrain the proliferation of commemorative coin programs. Moreover, as stated above, the CCCAC has established an excellent relationship with the House Banking Subcommittee and we believe future authorized coin programs will reflect the theme recommendations offered by the CCCAC.

IV. The Report Should Include Reducing Mintage Levels As One Of Its Reform Recommendations For Congressional Consideration.

The Executive Summary concludes with a section entitled “Matters of Congressional Consideration” (page 15). It states beginning with the second paragraph:

For those situations where Congress wants the commemorative coin program to be used as a means of supporting a sponsoring group, it should consider reforming the program by making changes aimed at reducing proliferation and preventing losses, such as limiting the number of programs to one per year, requiring that the selection of themes be based on market research, implementing a profit-sharing arrangement between the Mint and the sponsors, requiring that all of the Mint’s costs are recovered before the sponsors receive financial benefits, and requiring that the prices of commemorative coins be set at levels where the market research indicates the highest sales potential. (Emphasis added.)

The Mint and the CCCAC have long recognized that even more important than limiting the number of programs each year, reform must include a measure to reduce maximum authorized mintages of these programs.² Restricting the supply of coins creates

²We strongly urge that GAO delete the first full sentence on page 13 of the Executive Summary which reads: “However, because the Mint does not produce all commemorative coins authorized, higher authorizations than sales do not seem to be an operational problem.” As we discuss above, high authorized mintage levels are problematic for the Mint in its efforts to sell

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potential for commemorative coins to retain their value in secondary markets, rewarding collectors who bought them and generating greater interest in subsequent commemorative programs. It is for these reasons the CCCAC strongly advocated legislation which lowered the mintage levels for the Atlanta Olympic coin program and made as a foremost priority to persuade sponsoring organizations to lower their expectations regarding authorized mintage levels. As mintage levels have fallen in the past two years, the market has seen an increase in secondary prices for these low-mintage coins.

As such, limiting the number of commemorative coin programs to one a year may not be as effective as ensuring reduced mintage levels. Even though there may be only one program mandated for a year, that program could be structured similar to the Atlanta Olympic program (i.e. a multi-coin program with high authorized mintage levels). In today's market, the Mint generally expects to sell no more than 3 to 4 million coins a year, regardless of how many millions are authorized. It is conceivable, therefore, that the Mint could offer as many as six commemorative coin programs a year provided each program had low authorized mintage levels. We believe, therefore, the better recommendation to Congress for its consideration would be a limitation on the total number of coins authorized per year rather than a limitation on the number of programs.

commemorative coins because they hold the potential for large mintages on the secondary market, thereby reducing their value on the secondary market.

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