

110TH CONGRESS
2D SESSION

H. R. 5512

IN THE SENATE OF THE UNITED STATES

MAY 12, 2008

Received; read twice and referred to the Committee on Banking, Housing, and
Urban Affairs

AN ACT

To reduce the costs of producing 1-cent and 5-cent coins, provide authority to the Secretary of the Treasury to perform research and development on new metallic content for circulating coins, and to require biennial reports to Congress on circulating coin production costs and possible alternative metallic content.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “Coin Modernization
5 and Taxpayer Savings Act of 2008”.

6 **SEC. 2. FINDINGS.**

7 The Congress finds as follows:

8 (1) International demand along with market
9 speculation for commodity metals has, over the past
10 several years, increased the cost of producing circu-
11 lating coins in the United States.

12 (2) In a July 30, 2007, letter to the Congress,
13 the Secretary of the Treasury, with support of the
14 Administration’s Office of Management and Budget,
15 requested that legislation be put forward to author-
16 ize the Secretary of the Treasury to make changes
17 to the composition of circulating coins.

18 (3) The United States Mint has studied alter-
19 native metals for use in circulating coins, as noticed
20 in its 2004 annual report.

21 (4) In 1943, the United States Mint produced
22 zinc-coated steel pennies in response to war-time de-
23 mands for copper.

24 (5) The United States Mint gained further ex-
25 perience changing the metal content of pennies in

1 1982, when it began producing copper-coated zinc
2 pennies as a result of rising copper prices.

3 (6) The Royal Canadian Mint has produced for
4 several years a copper-coated steel 1-cent coin that
5 is similar to the United States penny at a signifi-
6 cantly lower cost than the cost to produce the
7 United States penny.

8 (7) Given the current cost to make a penny and
9 volume of pennies minted, by simply reducing penny
10 production costs to face value, the United States will
11 save more than \$500,000,000 in the next 10 years
12 alone.

13 (8) Reducing the cost to produce a nickel to
14 face value will save the United States an additional
15 \$60,000,000 per year.

16 (9) Commodity metal prices are often cyclical in
17 nature, and can be inflated by speculation, so it is
18 important that a solid trend in the rising price of a
19 commodity metal be established before any change in
20 the metal content of a coin is made.

21 **SEC. 3. IMMEDIATE REDUCTION IN THE COST OF PRO-**
22 **DUCING 1-CENT COINS THROUGH THE USE**
23 **OF STEEL PENNIES.**

24 Subsection (c) of section 5112 of title 31, United
25 States Code, is amended to read as follows:

1 “(c) COMPOSITION OF 1-CENT AND 5-CENT COINS.—

2 “(1) 1-CENT COIN.—

3 “(A) IN GENERAL.—Subject to paragraph
4 (2), beginning 270 days after the date of the
5 enactment of the Coin Modernization and Tax-
6 payer Savings Act of 2008, the 1-cent coin
7 shall—

8 “(i) be produced primarily of steel;
9 and

10 “(ii) meet such other specifications as
11 the Secretary may determine to be appro-
12 priate, including any change in the weight
13 from that specified in subsection (a)(6).

14 “(B) TREATMENT.—The 1-cent coin shall
15 be treated to impart a copper color to the ap-
16 pearance of the coins so that the appearance is
17 similar to 1-cent coins produced of a copper-
18 zinc alloy.

19 “(C) EXCEPTION FOR LINCOLN BICENTEN-
20 NIAL NUMISMATIC PENNIES.—No provision of
21 this paragraph shall apply with respect to 1-
22 cent coins described in section 304 of the Presi-
23 dential \$1 Coin Act of 2005 that are issued for
24 numismatic purposes.

1 “(2) ALTERNATIVE 1-CENT COIN COMPOSI-
2 TION.—

3 “(A) IN GENERAL.—If, before the end of
4 the 90-day period beginning on the date of the
5 enactment of the Coin Modernization and Tax-
6 payer Savings Act of 2008, the Secretary deter-
7 mines that, with the addition of any other ele-
8 ment to any alloy of zinc and copper of which
9 1-cent coins could have been composed as of the
10 day before such date of enactment, there is a
11 way—

12 “(i) to produce 1-cent coins of the
13 same diameter, general composition, and
14 general weight as 1-cent coins produced in
15 accordance with this subsection as of the
16 day before such date of enactment; and

17 “(ii) to achieve the goals of paragraph
18 (1) by reducing the unit cost to produce
19 the 1-cent coin to less than 1 cent while re-
20 taining such coin’s ease of use and ensur-
21 ing ease of co-circulation with 1-cent coins
22 of the diameter and weight already circu-
23 lating as of such date of enactment for or-
24 dinary commerce,

the Secretary may add any such element and continue production of 1-cent coins of the same diameter, general composition, and general weight as 1-cent coins produced in accordance with this subsection as of the day before such date of enactment instead of complying with paragraph (1).

“(B) EFFECTIVE PERIOD.—This paragraph shall only apply if the change to the new composition and the subsequent drop in the production cost of the 1-cent coin referred to in subparagraph (A) can be achieved before the end of the 270-day period referred to in paragraph (1).

“(C) REPORT TO THE CONGRESS.—Any determination and action by the Secretary under subparagraph (A) shall be promptly reported to the Congress.”.

SEC. 4. AUTHORITY TO CHANGE METALLIC CONTENT OF 5-CENT COINS TO LESS COSTLY ALTERNATIVE.

(a) IN GENERAL.—Subsection (c) of section 5112 of title 31, United States Code, (as amended by section 3) is amended by adding at the end the following new paragraph:

“(3) 5-CENT COIN.—

1 “(A) IN GENERAL.—After the end of the
2 2-year period beginning on the date of the en-
3 actment of the Coin Modernization and Tax-
4 payer Savings Act of 2008, the Secretary shall
5 produce no 5-cent coin that is not primarily
6 made of steel with a coating of nickel, that can
7 co-circulate with the existing supply of 5-cent
8 coins and work interchangeably in coin handling
9 machines, except that—

10 “(i) the Secretary shall make no
11 change to the content of the existing 5-
12 cent coin if at that point the unit cost of
13 production of such coins is lower than the
14 face value of the coin; and

15 “(ii) if the report issued by the Sec-
16 retary pursuant to section 6 indicates that
17 a different metallic content of circulating
18 5-cent coins is both functional and inter-
19 changeable, and more economical to
20 produce in both the short and long term,
21 the Secretary shall propose such content to
22 the Congress in the form of a legislative
23 recommendation.

1 “(B) FACTORS TO BE CONSIDERED.—In
2 prescribing the weight and the composition of
3 the 5-cent coin, the Secretary shall consider—

4 “(i) factors relevant to the potential
5 impact of any revisions to the weight and
6 composition of the material on the current
7 coin suppliers;

8 “(ii) factors relevant to the accept-
9 ability of new coinage materials, including
10 the effect on vending machines and com-
11 mercial coin processing equipment and
12 making certain, to the greatest extent
13 practicable, that any new coins work with-
14 out interruption in existing coin acceptance
15 equipment without modification; and

16 “(iii) such other factors that the Sec-
17 retary, in consultation with merchants who
18 would be affected by any change in the
19 weight and composition of the 5-cent coin,
20 vending machine and other coin acceptor
21 manufacturers, vending machine owners
22 and operators, transit officials, municipal
23 parking officials, depository institutions,
24 coin and currency handlers, armored-car
25 operators, car wash operators, and Amer-

1 ican-owned manufacturers of commercial
2 coin processing equipment, considers to be
3 appropriate and in the public interest,
4 after notice and opportunity for comment.

5 “(C) COMMENT AND SELECTION PROC-
6 ESS.—In making any determination with re-
7 spect to any change in the weight and composi-
8 tion of the 5-cent coin, the Secretary shall enter
9 into a formal rulemaking process that includes
10 a hearing on a record in addition to the publi-
11 cation of notice and opportunity for comment.”.

12 (b) TECHNICAL AND CONFORMING AMENDMENT.—
13 Section 5112(a)(5) of title 31, United States Code, is
14 amended by striking “and weighs 5 grams”.

15 **SEC. 5. AUTHORITY TO CONDUCT RESEARCH AND DEVEL-**
16 **OPMENT ON ALL CIRCULATING COINS.**

17 To accomplish the goals of this Act, the Secretary
18 may conduct any appropriate testing within or without the
19 Department of the Treasury, and may solicit input from
20 or otherwise work in conjunction with entities within or
21 without the Federal government including independent re-
22 search facilities or current or potential suppliers of the
23 material used in volume production of circulating coins,
24 to complete the report referred to in this Act and to de-

1 velop, evaluate or begin the use of new metallic material
2 for such production.

3 **SEC. 6. BIENNIAL REPORT TO CONGRESS ON CURRENT**
4 **STATUS OF COIN PRODUCTION COSTS AND**
5 **ANALYSIS OF ALTERNATIVE CONTENT RE-**
6 **QUIRED.**

7 (a) BIENNIAL REPORT REQUIRED.—Before the end
8 of the 270-day period beginning on enactment of this Act,
9 and at 2-year intervals following the initial report, the Sec-
10 retary of the Treasury shall submit a report to the Com-
11 mittee on Financial Services of the House of Representa-
12 tives and the Committee on Banking, Housing, and Urban
13 Affairs of the Senate analyzing production costs for each
14 circulating coin, cost trends, and possible new metallic ma-
15 terials or technologies for the production of circulating
16 coins.

17 (b) DETAILED RECOMMENDATIONS.—The reports re-
18 quired under this section shall contain detailed rec-
19 ommendations for any appropriate changes to the metallic
20 content of circulating coins in such a form that the rec-
21 ommendations could be enacted into law as appropriate.

22 (c) IMPROVED PRODUCTION EFFICIENCY.—The re-
23 ports required under this section shall include rec-
24 ommendations for changes in the methods of producing
25 coins at the United States Mint that would further reduce

1 the costs to produce circulating coins, and include notes
2 on any legislative changes that might be necessary to
3 achieve such goals.

4 (d) MINIMIZING CONVERSION COSTS.—The reports
5 required under this section shall—

6 (1) include no recommendation for new speci-
7 fications for producing a circulating coin that would
8 require significant change to coin-accepting and
9 coin-handling equipment to accommodate changes to
10 all circulating coins simultaneously, except for any
11 potential change to the 5-cent coin as authorized
12 under section 4; and

13 (2) to the greatest extent possible, recommend
14 specifications that, while consistent with other por-
15 tions of this section and the amendments made by
16 this Act, require no changes to coin-accepting or
17 coin-handling equipment whatsoever to accommodate
18 both coins produced with the new specifications and
19 coins produced as of July 31, 2007.

20 (e) FRAUD PREVENTION.—The reports required
21 under this section shall make no recommendation for a
22 specification change that would facilitate or allow the use
23 of a coin with a lesser value produced by another country,
24 or the use of any token or other easily or regularly pro-

- 1 duced metal device of minimal value, in the place of a cir-
- 2 culating coin produced by the Secretary.

Passed the House of Representatives May 8, 2008.

Attest: LORRAINE C. MILLER,
Clerk.