

**Board of Governors of the Federal Reserve System**



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***Annual Report to the Congress on the  
Presidential \$1 Coin Program***

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June 2012

## 2012 Annual Report to the Congress on the Presidential \$1 Coin Program

### Background

Pursuant to section 104 of the Presidential \$1 Coin Act of 2005 (Public Law 109-145), the Board of Governors of the Federal Reserve System (Board) is required to submit an annual report to the Congress that includes an assessment of the remaining obstacles to the efficient and timely circulation of \$1 coins; consultations with industry representatives, the vending industry, and other coin-accepting organizations; and recommendations for legislative action that the Board may determine to be appropriate.

### Recent Activities

Since our 2011 annual report, there was a substantial change to the Presidential \$1 coin program. On December 13, 2011, the Department of the Treasury (Treasury) announced that the Secretary had suspended the minting of Presidential \$1 coins for circulation.<sup>1</sup> The United States Mint, however, will continue to mint and issue circulation quality Presidential \$1 coins in the new designs to meet collector demand.<sup>2</sup> As a result of this change, the Federal Reserve Banks (Reserve Banks) have been meeting depository institution demand with existing \$1 coin inventories.

The Federal Reserve held regularly scheduled meetings with depository institutions to gather feedback about demand for \$1 coins and potential obstacles to their circulation.<sup>3</sup> Participants indicated that the suspension of minting Presidential \$1 coins for circulation has eliminated operational challenges associated with distributing the \$1 coin, and they have received only a few questions from customers about obtaining newly minted \$1 coins. Board staff has also received few calls on this topic.

As noted in our 2011 report, the Federal Reserve had planned to construct a new facility at the Federal Reserve Bank of Dallas to house growing inventories of \$1 coins.<sup>4</sup> As a result of the Treasury's decision, Reserve Banks are receiving fewer \$1 coins from depository institutions, so the Federal Reserve has decided not to proceed with the construction of the new facility.

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<sup>1</sup> Treasury's announcement can be found at <http://www.treasury.gov/connect/blog/Pages/Reducing-the-Surplus-Dollar-Coin-Inventory-Saving-Taxpayer-Dollars.aspx>.

<sup>2</sup> As of early June, the United States Mint has sold approximately 1.8 million Native American \$1 coins and almost 7.5 million Chester Arthur and 4.5 million Grover Cleveland Presidential \$1 coins. Chester Arthur and Grover Cleveland are the first presidents to be commemorated following the Treasury's decision to halt minting Presidential \$1 coins for circulation.

<sup>3</sup> Beginning in 2008, the Federal Reserve and the United States Mint agreed to meet with their respective coin user groups through our normal channels each year of the program and share feedback as appropriate.

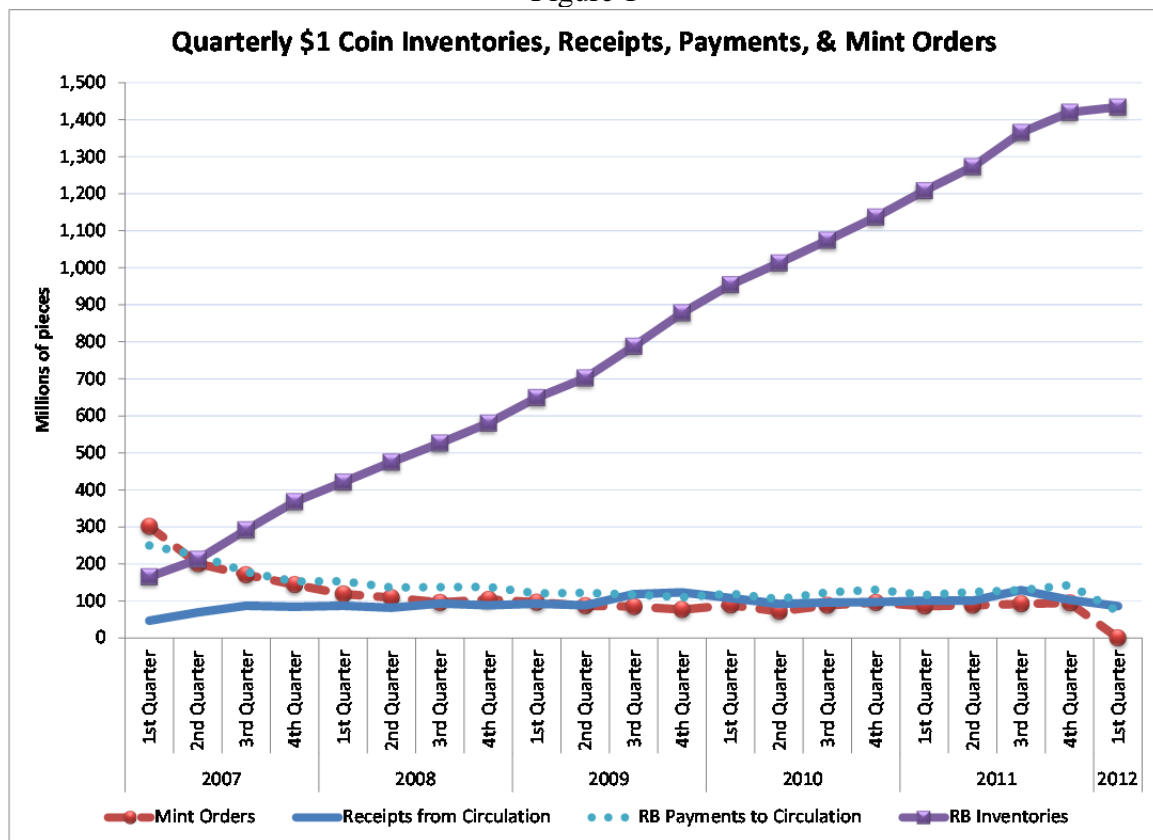
<sup>4</sup> The 2011 Annual Report to the Congress on the Presidential \$1 coin program can be found at <http://www.federalreserve.gov/boarddocs/rptcongress/dollarcoin/2011/dollarcoin2011.pdf>.

## Slowing Growth of \$1 Coin Inventories

Reserve Bank inventories of \$1 coins continued to grow over the past year to more than \$1.4 billion as of May 31, 2012, or about \$1.3 billion more than the Reserve Banks held before the start of the Presidential \$1 coin program. As a result of the Treasury's decision to suspend minting of Presidential \$1 coins for circulation, the growth rate of the \$1 coin inventories has slowed considerably, as seen in Figure 1.

Reserve Bank inventory levels through the first five years of the program grew consistently at an average of 66 million pieces per quarter. In the first quarter following the Treasury's decision to suspend minting \$1 coins, Reserve Bank inventory levels grew by only 14 million pieces. The slowing inventory growth continued during the first two months of the second quarter of 2012 with inventory levels growing by only 2 million pieces over that period (see Table 1). We believe Reserve Bank inventories will begin decreasing as slower receipts of \$1 coins from circulation are outpaced somewhat by normal payments to depository institutions to meet the modest demand of their customers. Given recent levels of payments to depository institutions, we estimate that Reserve Banks hold more than 40 years of \$1 coin inventory, assuming continuation of current levels of demand.

Figure 1



Note: The United States Mint has indicated that it paid to circulation \$47 million Native American \$1 coins through its Direct Ship program in 2010, \$40 million in 2011, and \$1.8 million in 2012 (as of June 1). These data are not included in the above Reserve Bank payments to circulation.

Table 1

| <b>Quarterly \$1 Coin Inventories, Mint Orders, Receipts, &amp; Payments</b> |                                   |                     |                                      |                                       |  |
|--|-----------------------------------|---------------------|--------------------------------------|---------------------------------------|--|
| (\$ millions)  |                                   |                     |                                      |                                       |  |
| QUARTER  | 1<br>BEGINNING<br>RB<br>INVENTORY | 2<br>MINT<br>ORDERS | 3<br>RECEIPTS<br>FROM<br>CIRCULATION | 4<br>RB PAYMENTS<br>TO<br>CIRCULATION | 5<br>ENDING RB<br>INVENTORY<br>1+2+3-4 |
| Q1/2007  | 67                                | 301                 | 47                                   | 250                                   | 165                                    |
| Q2/2007  | 165                               | 201                 | 69                                   | 223                                   | 212                                    |
| Q3/2007  | 212                               | 171                 | 87                                   | 178                                   | 292                                    |
| Q4/2007  | 292                               | 144                 | 85                                   | 153                                   | 368                                    |
| Q1/2008  | 368                               | 119                 | 87                                   | 153                                   | 421                                    |
| Q2/2008  | 421                               | 109                 | 82                                   | 137                                   | 475                                    |
| Q3/2008  | 475                               | 96                  | 93                                   | 138                                   | 526                                    |
| Q4/2008  | 526                               | 104                 | 88                                   | 138                                   | 580                                    |
| Q1/2009  | 580                               | 96                  | 92                                   | 119                                   | 649                                    |
| Q2/2009  | 649                               | 87                  | 88                                   | 122                                   | 702                                    |
| Q3/2009  | 702                               | 85                  | 118                                  | 117                                   | 788                                    |
| Q4/2009  | 788                               | 77                  | 123                                  | 110                                   | 878                                    |
| Q1/2010  | 878                               | 89                  | 108                                  | 120                                   | 954                                    |
| Q2/2010  | 954                               | 72                  | 92                                   | 105                                   | 1,013                                  |
| Q3/2010  | 1,013                             | 88                  | 96                                   | 123                                   | 1,074                                  |
| Q4/2010  | 1,074                             | 96                  | 97                                   | 130                                   | 1,137                                  |
| Q1/2011  | 1,137                             | 86                  | 101                                  | 116                                   | 1,208                                  |
| Q2/2011  | 1,208                             | 88                  | 101                                  | 124                                   | 1,273                                  |
| Q3/2011  | 1,273                             | 92                  | 129                                  | 129                                   | 1,365                                  |
| Q4/2011  | 1,365                             | 95                  | 103                                  | 143                                   | 1,420                                  |
| Q1/2012  | 1,420                             | 0                   | 86                                   | 72                                    | 1,434                                  |
| Q2/2012(as of May)   | 1,434                             | 0                   | 60                                   | 58                                    | 1,436                                  |

Note: Reserve Bank payments to circulation do not include the \$1 coins that the United States Mint has issued directly into circulation. See note to Figure 1.

### Future Reporting and Recommendation for Legislative Action

To ensure compliance with the Presidential \$1 Coin Act, the Federal Reserve will continue to fulfill demand for \$1 coins from depository institutions from existing inventory, while the United States Mint will meet collector demand for new designs through direct sales.

The Board proposes the elimination of the annual reporting requirement required by the Presidential \$1 Coin Act, by striking section 5112(p)(3)(B) of title 31 of the United States Code. The Board believes the suspension of the minting of the Presidential \$1 coin for circulation makes this report no longer necessary. Substantial developments to the \$1 coin program are not likely, and information on inventory levels, and payments and receipts is available on the Board's public website at [http://www.federalreserve.gov/paymentsystems/coin\\_data.htm](http://www.federalreserve.gov/paymentsystems/coin_data.htm) and will be updated quarterly.