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The Adverse Effects of Changing Materials of Construction for U.S. Coins

Key Findings

In its 2015 budget plan, the Obama Administration revisited the proposals of alternative metallic materials aiming to reduce the production costs for U.S. coinage. This report uses official data to quantify the costs and benefits of changing the materials of construction to produce U.S. nickels, dimes, and quarters. The costs to retrofit over 13 million coin-operated vending machines, laundromats, amusement machines, jukeboxes, gaming machines, payphones, carwash units, parking meters, bus coin acceptors, and tolls outweigh the benefits to the U.S. Mint by between 10 and 27 times.

- The U.S. Mint generated $208.1 million in seigniorage (the difference between value of shipments and production costs) of nickels, dimes, and quarters in FY2013, an increase of 110.8% from FY2012 and 320.4% from FY2011. Compared to FY2011, the unit costs of production of nickels, dimes, and quarters have declined by 15.8%, 19.4%, and 5.8%, respectively.
- Proposals for alternative materials to produce nickels, dimes, and quarters are not necessarily generating cost savings for the U.S. Mint. Among proposed alternatives, the highest cost savings for the U.S. Mint is an additional $85 million in seigniorage. However, the alternatives will not remove or mitigate the fluctuations of commodity prices for the U.S. Mint.
- Alternative materials of construction of coins will create adverse effects for the coin-operated machine owners and operators as well as municipalities. Total retrofitting costs for over 13 million affected (72.8% of the existing 17.9 million) coin-operated machines will be between $941.6 million and $2.3 billion.
- Findings of empirical studies suggest that increases in production costs are typically passed-through consumers within twelve months. In the case of retrofitting costs for coin-operated machines, prices will increase by 5 cents or 25 cents, depending on the lowest denomination of the type of machine. For vending machines, payphones, parking meters, and toll booths that accept nickels, consumers will experience price hikes as high as 20%. For other machines such as amusement machines that only accept quarters, price hikes will be as high as 50%.

Overall, the proposed alternative materials for nickels, dimes, and quarters are not optimal for the U.S. economy. While cost savings for the U.S. Mint are limited, the adverse effects to small businesses, municipalities, and consumers are extensive. The retrofitting costs will create a financial burden and business disruptions for small owners that will lead some out of business.