

**TESTIMONY OF THE
AMERICAN PUBLIC TRANSPORTATION ASSOCIATION
BEFORE THE
SUBCOMMITTEE ON DOMESTIC AND INTERNATIONAL MONETARY POLICY,
TRADE AND
TECHNOLOGY OF THE
HOUSE COMMITTEE ON FINANCIAL SERVICES
ON DOLLAR COIN LEGISLATION**

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SUBMITTED BY

**American Public Transportation Association
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APTA is a nonprofit international association of over 1,500 public and private member organizations including transit systems and commuter rail operators; planning, design, construction and finance firms; product and service providers; academic institutions; transit associations and state departments of transportation. APTA members serve the public interest by providing safe, efficient and economical transit services and products. Over ninety percent of persons using public transportation in the United States and Canada are served by APTA members.

INTRODUCTION

Mr. Chairman and members of the subcommittee, on behalf of the American Public Transportation Association (APTA), thank you for this opportunity to testify on the Presidential \$1 Coin Act of 2004 (H.R. 3916), which would provide for the issuance of new one dollar coins and other purposes. My name is Chung Chung Tam. I am Chairman of APTA's Revenue Management Committee, and I also Chair APTA's Financial Management Committee - Universal Transit Fare Card Standards Program. I am a Revenue Systems Engineer with the Chicago Transit Authority. Transit systems have been long-time supporters of efforts to increase the use of dollar coins, and they strongly support the efforts of this Committee in that regard. The use of dollar coins clearly reduces costs for operators of public transit systems.

ABOUT APTA

APTA's 1,500 public and private member organizations serve the public by providing safe, efficient, and economical public transportation service, and by working to ensure that those services and products support national economic, energy, environmental, and community goals.

APTA member organizations include public transit systems and commuter railroads; design, construction and finance firms; product and service providers; academic institutions; and state associations and departments of transportation. More than

ninety percent of the people who use public transportation in the United States and Canada are served by APTA transit system members.

PUBLIC TRANSPORTATION SUPPORTS USE OF DOLLAR COIN

Mr. Chairman, in the face of budget constraints at the local, state and federal levels, the nation's transit systems are operating in the most cost-effective ways they can. In the past, APTA was pleased to be a member of the Dollar Coin Coalition that advocated broader use of the dollar coin. Our members have backed up their rhetoric with action: most transit systems around the country accept the dollar coin. In that regard, a September 2002 GAO report on the "New Dollar Coin" includes an appendix showing that nineteen of the top twenty transit systems in the country accept the dollar coin.

Our transit system members do so for practical reasons. The dollar coin is very cost effective in transit operations. Transit systems, especially those in major metropolitan areas, are some of the largest processors of one dollar bills in the country. On an annual basis they can collect and process million of pieces of currency. One transit system has quantified the cost of processing dollar bills. They determined that the cost to process one thousand dollars worth of one dollar bills is approximately \$10.11. The cost to process the same amount in dollar coins is \$1.22.

The difference is that handling paper currency is much more labor intensive. Coin processing is more efficient due to the use of technology and the availability of counting machines. In addition, the processing of coins by fareboxes and vending machines is faster than bill processing. Since the Federal Reserve requires that paper currency be "faced" when stacked, meaning that all dollar bills must be stacked with the portrait of

George Washington facing the same direction, transit agencies must stack and face all bills by hand. In addition, more agencies are procuring fareboxes which can validate currency and coins. This validation may increase boarding time on buses due to bill condition, bill rejections and bill jams, which could require scheduling more buses and increased operating costs. The expense of theft deterrent equipment and associated resources also result in increased costs. If transit agencies were able to realize the costs savings associated with the use of dollar coins, they would be able to use those resources to keep fares stable and promote the increased use of public transportation.

BARRIERS TO USE OF DOLLAR COIN

Mr. Chairman, we are thus very supportive of efforts to increase the use of the dollar coin. But there clearly are barriers to widespread usage of the dollar coin, and the GAO report I cited earlier identifies a key one. The report states as follows: “The most substantial barrier is the current widespread use of the dollar bill in everyday transactions and public resistance to begin using the dollar coin.” The report goes on to say that: “until individuals can see that ... the government intends to replace the dollar bill with the dollar coin, they will be unlikely to use the coin in everyday transactions.” Therefore Mr. Chairman, while we support this and other efforts to increase the usage of the dollar coin, APTA would also support efforts to phase out the use of one dollar bills as part of an effort to implement the exclusive use of one dollar coins in this country.

Having said that, we are supportive of efforts such as the Presidential \$1 Dollar Coin Act of 2004 (H.R. 3916) which we trust would increase the public’s acceptance of dollar coins in general and thus increase the use of the dollar coins to pay for transit fares.

ADDITIONAL SAVINGS

In addition to the savings realized by public transit agencies and other businesses that deal in small denominations, there would be significant savings to the nation if the one dollar bill were replaced with the one dollar coin. Both the Federal Reserve and the GAO have projected savings of \$456 million annually, on average over 30 years, in addition to the savings for public transportation systems, if the dollar bill were replaced with the dollar coin.

CONCLUSION

Mr. Chairman, we appreciate and thank you for your efforts to increase the use of one dollar coins and to promote the public's acceptance of dollar coins in every day use. Clearly the counting and handling of paper currency is much greater than the cost of counting and handling coins. Just as clearly, increased use of dollar coins in public transportation systems would reduce operating costs at those systems and permit more of transit's limited resources to go to improving transit service.

We believe that this legislation, which is modeled on the minting and introduction of the successful "50-State Quarter Program," has a good chance of increasing the use of dollar coins. We agree that minting coins that identify Presidents, and their terms of

service, would increase awareness of our Presidential history and increase the popularity of the new coins. We appreciate the thoughtfulness with which you have developed this legislation and its objectives. We look forward to working with you and the members of this Committee in advancing this legislation that could be very cost-effective for the nation's transit systems.