



California State Treasurer's Office **NEWS RELEASE**

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California Treasurer's Office Provides Guidance on Transition Away from Pennies

*Governor Signs Legislation Allowing the Rounding of Cash Transactions to
the Nearest Five Cents for Public Agencies, Merchants*

SACRAMENTO – Governor Newsom signed SB 1005 (Caballero), the *PENNIES Act*, and AB 1793 (Ward), the *California Common Cents Act*, two bills that allow the rounding of cash transactions to the nearest five cents. SB 1005 applies to cash transactions for public agencies if governing boards agree, while AB 1793 applies to cash transactions for merchants.

“As the nation transitions away from production of the venerable penny, Californians may have questions about what this change means for their everyday transactions,” said Treasurer Fiona Ma, CPA. “The California State Treasurer’s Office is providing this information as a public service to help Californians understand the transition and what it means for consumers, businesses, and cash transactions.”

Q: When will the government stop distributing pennies?

A: Although the U.S. Mint is no longer producing new pennies, existing pennies will remain in circulation as the Federal Reserve continues to distribute them while supplies last. The length of this transition will depend in part on how quickly pennies are spent and returned to circulation. Californians are encouraged to use pennies they already have, which can help businesses and payment-system providers adjust to the changing availability of one-cent coins.

Q: Can I still use pennies for buying goods and services?

A: Yes, the penny will continue to be recognized as legal tender, allowing consumers to use pennies for cash transactions at businesses that choose to accept them, even after new pennies are no longer produced and distributed.

Q: How should my business respond as the supply of pennies drops?

A: Businesses can continue to accept pennies and use them when making change, as long as they have them on hand, even as the number of pennies in circulation decreases.

As pennies fall out of circulation, merchants may need to round transactions either up or down to the nearest five cents. AB 1793 and SB 1005 require a standardized rounding for cash transactions to the nearest five cents.

Q: Will the price rounding increase overall prices for the products I buy?

A: There should be no overall effect on consumer prices as final transaction prices will be rounded down just as often as they are rounded up.

Q: Why did the US Treasury discontinue minting pennies?

A: The total production cost of the penny has increased from 1.3 cents to 3.69 cents per penny in the last 10 years. The US Mint projects an annual savings of about \$56 million as a result of discontinuing the penny.

Q: What steps is the California Treasurer's Office taking to help with this change?

A: The Treasurer's Office is staying in close communication with our banking partners to help ensure continuity in cash-handling operations, continuing to monitor guidance from the U.S. Treasury and U.S. Mint, and sharing updates with Californians and notifying the public and businesses throughout this process.

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Fiona Ma is California's 34th State Treasurer. She is the first woman of color, and the first woman Certified Public Accountant (CPA) elected to the position. Treasurer Ma serves as the state's banker and is agent of sale for all state bonds and trustee of billions of dollars of state indebtedness. The State Treasurer's Office also processes more than \$3 trillion in banking transactions annually and manages a \$150 billion investment portfolio. As State Treasurer, Ma is also chair of many boards, commissions, and authorities that provide financing for schools, housing, recycling and waste management, alternative energy, hospitals, and other projects that create jobs, improve California's economy, and better the lives of residents.