

THE WHITE HOUSE

Office of the Press Secretary

For Immediate Release

March 4, 1997

EXECUTIVE ORDER

COMMISSION TO STUDY CAPITAL BUDGETING

By the authority vested in me as President by the Constitution and the laws of the United States of America, including the Federal Advisory Committee Act, as amended (5 U.S.C. App.), it is hereby ordered as follows:

Section 1. Establishment. There is established the Commission to Study Capital Budgeting ("Commission"). The Commission shall be bipartisan and shall be composed of 11 members appointed by the President. The members of the Commission shall be chosen from among individuals with expertise in public and private finance, government officials, and leaders in the labor and business communities. The President shall designate two co-chairs from among the members of the Commission.

Sec. 2. Functions. The Commission shall report on the following:

- (a) Capital budgeting practices in other countries, in State and local governments in this country, and in the private sector; the differences and similarities in their capital budgeting concepts and processes; and the pertinence of their capital budgeting practices for budget decisionmaking and accounting for actual budget outcomes by the Federal Government;
- (b) The appropriate definition of capital for Federal budgeting, including: use of capital for the Federal Government itself or the economy at large; ownership by the Federal Government or some other entity; defense and nondefense capital; physical capital and intangible or human capital; distinctions among investments in and for current, future, and retired workers; distinctions between capital to increase productivity and capital to enhance the quality of life; and existing definitions of capital for budgeting;
- (c) The role of depreciation in capital budgeting, and the concept and measurement of depreciation for purposes of a Federal capital budget; and
- (d) The effect of a Federal capital budget on budgetary choices between capital and noncapital means of achieving public objectives; implications for macroeconomic stability; and potential mechanisms for budgetary discipline.

Sec. 3. Report. The Commission shall adopt its report through majority vote of its full membership. The Commission shall report to the National Economic Council by March 15, 1998, or within 1 year from its first meeting.

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(OVER)

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STATEMENT BY THE PRESIDENT

I am pleased that the Senate has heeded the warnings of eminent economists and constitutional experts from across the political spectrum, and defeated the balanced budget constitutional amendment.

At the same time, let me be clear: while I oppose a constitutional amendment, I am committed to achieving the bipartisan goal of balancing the budget by 2002. Last year, I sent Congress a plan to balance the budget, and I submitted a balanced budget plan again a few weeks ago.

The constitutional amendment could have caused or worsened recessions, permitted a minority of legislators to hold the Nation's creditworthiness hostage, involved unelected judges in spending and tax policy, and threatened Social Security and other vital benefits.

Now that the amendment vote has taken place, I call on Congress to join me in passing a plan to balance the budget by 2002 while protecting our values, strengthening education, and providing targeted tax relief to working families.

At the end of Congress' last session, we saw several instances of productive bipartisan cooperation. I hope that we can continue this spirit of bipartisanship and make progress for the American people by reaching agreement on a balanced budget plan this year. All it takes is their votes and my signature.

It's time to do the real work of balancing the budget.



EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

THE DIRECTOR

February 27, 1997

MEMORANDUM FOR THE PRESIDENT

DATE: 2/27/97

FROM: Franklin D. Raines 
Director

SUBJECT: Proposed Executive Order Entitled "Commission to Study Capital Budgeting"

SUMMARY: This memorandum forwards for your consideration a proposed Executive order that was prepared by the Office of Management and Budget. The proposed order would establish the bipartisan Commission to Study Capital Budgeting ("Commission").

BACKGROUND: The purpose of the Commission is to review the appropriate role of capital investments in both current and future federal budgeting. As part of the Commission's review, it will report on the capital budgeting practices in other countries, in State and local governments in this country, and in the private sector. It would report on the appropriate definition of capital for federal budgeting, the role of depreciation in capital budgeting, and the effect of a Federal Capital Budget on budgetary choices between capital and non-capital means of public objectives. The Commission would adopt its report by majority vote. The Commission would report to the National Economic Council by March 15, 1998, or within one year from the date of its first meeting.

None of the affected agencies objects to the proposed Executive order.

RECOMMENDATION: I recommend that you sign the proposed Executive order.

Executive Order

COMMISSION TO STUDY CAPITAL BUDGETING

By the authority vested in me as President by the Constitution and the laws of the United States of America, including the Federal Advisory Committee Act, as amended (5 U.S.C. App.) and in order to establish a Commission to Study Capital Budgeting, it is hereby ordered as follows:

Section 1. Establishment. There is established the Commission to Study Capital Budgeting ("Commission"). The Commission shall be bipartisan and shall be composed of 11 members appointed by the President. The President shall designate two co-chairs from among the members of the Commission. The members of the Commission shall be chosen from among individuals with expertise in public and private finance, government officials, and leaders in the labor and business communities.

Sec. 2. Functions. The Commission shall report on the following:

- (a) Capital budgeting practices in other countries, in State and local governments in this country, and in the private sector; the differences and similarities in their capital budgeting concepts and processes; and the pertinence of their capital budgeting practices for budget decisionmaking and accounting for actual budget outcomes by the Federal Government;
- (b) The appropriate definition of capital for Federal budgeting, including: use of capital for the Federal Government itself or the economy at large; ownership by the Federal Government or some other entity; defense and nondefense capital; physical capital and intangible or human capital; distinctions among investments in and for current, future, and retired workers; distinctions between capital to increase productivity and capital to enhance the quality of life; and existing definitions of capital for budgeting;

- (c) The role of depreciation in capital budgeting, and the concept and measurement of depreciation for purposes of a Federal capital budget; and
- (d) The effect of a Federal capital budget on budgetary choices between capital and non-capital means of achieving public objectives; implications for macroeconomic stability; and potential mechanisms for budgetary discipline.

Sec. 2. Report. The Commission shall adopt its report through majority vote of its full membership. The Commission shall report to the National Economic Council by March 15, 1998, or within one year from its first meeting.

Sec. 4. Administration. (a) Members of the Commission shall serve without compensation for their work on the Commission. While engaged in the work of the Commission, members appointed from among private citizens of the United States may be allowed travel expenses, including per diem in lieu of subsistence, as authorized by law for persons serving intermittently in the Government service (5 U.S.C. 5701-5707).

(b) The Department of the Treasury shall provide the Commission with funding and administrative support. The Commission may have a paid staff, including detailees from Federal agencies. The Secretary of the Treasury shall perform the functions of the President under the Federal Advisory Committee Act, as amended, except that of reporting to the Congress, in accordance with the guidelines and procedures established by the Administrator of General Services.

Sec. 5. General Provisions. The Commission shall terminate 30 days after submitting its report.

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