

Nonrecurring or one-time receipts

Various administrations have been criticized for including in the budget without special identification nonrecurring receipts or expenditure reductions. Prime examples of items criticized are the one-time sale of assets and the speedup of tax collections.

The Commission is making a number of recommendations which will eliminate some of the problems relating to the treatment of one-time receipts or negative expenditures. Among these are its recommendations for stating receipts and expenditures on an accrual basis and for a more consistent method of treating receipts as offsets against expenditures.

The budget inevitably includes a large number of nonrecurring items, particularly on the expenditure side. These do have an economic impact and are part of the total scope of government activities *in that year*, even if non-recurring. Therefore, the Commission recommends:

Nonrecurring receipts (or expenditure reductions) should continue to be included in the budget; however, the budget should continue to call attention to large unusual items of both receipts and expenditures in the budget presentation.

A CAPITAL BUDGET

One category of Federal expenditures which has sometimes been singled out as sufficiently distinctive in character to call for separate treatment is investment in physical assets, linking that investment directly to Government borrowing. A divided budget, with investment in physical assets excluded from calculations of the budget surplus or deficit, is often referred to as a capital budget. Much of the argument for the capital budget draws upon the logic of accounting for capital outlays in private enterprise. Capital outlays of a business are not charged against current sales to determine an estimate of a firm's profit or loss. Why should the Government, in estimating its surplus or deficit, not also exclude capital outlays from the calculation? There is also the feeling that resistance to the construction of needed public facilities might be moderated if this investment could be eliminated from the surplus or deficit.

The Commission finds little merit in proposals to exclude outlays for capital goods from the total of budget expenditures that is used to compute the budget surplus or deficit. It strongly recommends against a capital budget in this sense.

Use of a capital budget would seriously understate the current draft by the Government on the economic resources of the private sector. The level of government borrowing should be conditioned, not by the amount of capital goods that the Government is creating or purchasing, but by much broader budget requirements. In periods of inflationary pressure the appearance of a balanced budget, with capital expenditures excluded, might pose a psychological barrier to adequate taxation. In any event, proponents of new