



The Cyclically Adjusted and Standardized Budget Measures

February 2007

Notes

Numbers in the text and tables of this report may not add up to totals because of rounding.

Unless otherwise indicated, all of the years referred to are federal fiscal years.

Spreadsheets showing historical values for the variables of the cyclically adjusted and standardized budgets are available at www.cbo.gov.



Preface

This report offers alternative measures of the budget that incorporate adjustments for cyclical and other factors. It is one of a series of reports that the Congressional Budget Office (CBO) issues each year to fulfill the requirement of section 202(e) of the Congressional Budget Act of 1974 that CBO submit to the Committees on the Budget periodic reports about fiscal policy and provide baseline projections of the federal budget. The report is based on information presented in *The Budget and Economic Outlook: Fiscal Years 2008 to 2017*, published in January of this year.

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Peter R. Orszag
Director

February 2007



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The Cyclically Adjusted and Standardized Budget Measures

Summary

In January 2007, the Congressional Budget Office (CBO) released updated baseline projections of federal revenues, outlays, and budget balances for the next 10 years.¹ Those projections are governed by statutory rules that require CBO to assume the continuation of current laws and policies affecting taxes and mandatory programs and to extrapolate the growth of discretionary spending by using projected rates of inflation. According to CBO's current projections, if the policies reflected in its January 2007 report continued, the total budget deficit would decrease from \$248 billion in 2006 to \$172 billion in 2007 and \$98 billion in 2008. Measured relative to the size of the economy—that is, as a percentage of gross domestic product, or GDP—the total budget deficit would be 1.9 percent in 2006, 1.3 percent in 2007, and 0.7 percent in 2008.

The size of the budget deficit is influenced by temporary factors, such as the effects of the business cycle or one-time shifts in the timing of federal tax receipts and spending, and the longer-lasting impact of such factors as tax and spending legislation, changes in the trend growth rate of the economy, and movements in the distribution and proportion of income subject to taxation. To help separate out those factors, this report presents estimates of two adjusted budget measures: the cyclically adjusted deficit or surplus (which attempts to filter out the effects of the business cycle) and the standardized-budget deficit or surplus (which removes other factors in addition to business cycle effects).

In CBO's estimation, the cyclically adjusted budget deficit—the total baseline budget deficit minus the effects of

the business cycle—will decline from 1.8 percent of potential GDP in 2006 to 1.1 percent in 2007 and 0.5 percent in 2008.² The standardized-budget deficit this year is forecast to decline by somewhat less, from 1.8 percent of potential GDP in 2006 to 1.4 percent in 2007, but then to decline further to 0.7 percent in 2008 (see Table 1). CBO's projections of the cyclically adjusted and standardized budgets extend only through 2008 because the economic outlook on which they are based does not attempt to predict cyclical movements beyond that point. Consequently, projections of the cyclically adjusted budget deficit or surplus beyond 2008 would be very similar to CBO's baseline projections of the total budget deficit or surplus.

Economic output will be somewhat further from its potential level in 2007 and 2008 than in 2006, CBO projects. Business cycle effects will thus add somewhat more to the federal budget deficit in those years. In 2006, those estimated cyclical effects accounted for only 3 percent of the total budget deficit, down from 14 percent in 2004 and 9 percent in 2005. (By comparison, in 2002 and 2003, they accounted for much larger proportions of the total deficit—43 percent and 25 percent, respectively—because of the greater amount of slack in the economy in the aftermath of the 2001 recession.) According to CBO's baseline projections for the economy and the budget, cyclical effects will add roughly 13 percent and 30 percent to the total budget deficit in 2007 and 2008, respectively. The additional adjustments that underlie the standardized-budget deficit (for shifts in the timing of tax receipts and outlays and for other factors)

1. See Congressional Budget Office, *The Budget and Economic Outlook: Fiscal Years 2008 to 2017* (January 2007), Summary Table 1.

2. Potential GDP is the level of output that corresponds to a high level of resource—labor and capital—use. See the later discussion on its use in measuring the cyclically adjusted deficit or surplus.

Table 1.**Measures of the Federal Budget Deficit, 2003 to 2008**

	Actual				Projected	
	2003	2004	2005	2006	2007	2008
In Billions of Dollars						
Total Budget Deficit	-378	-413	-318	-248	-172	-98
Minus: Cyclical Contribution	<u>-95</u>	<u>-56</u>	<u>-30</u>	<u>-8</u>	<u>-23</u>	<u>-30</u>
Equals: Cyclically Adjusted Deficit	-282	-357	-288	-240	-149	-68
Plus: Other Adjustments ^a	<u>6</u>	<u>71</u>	<u>51</u>	<u>-2</u>	<u>-42</u>	<u>-39</u>
Equals: Standardized-Budget Deficit	-276	-286	-237	-242	-192	-108
As a Percentage of Potential Gross Domestic Product						
Total Budget Deficit	-3.4	-3.5	-2.6	-1.9	-1.3	-0.7
Minus: Cyclical Contribution	<u>-0.9</u>	<u>-0.5</u>	<u>-0.2</u>	<u>-0.1</u>	<u>-0.2</u>	<u>-0.2</u>
Equals: Cyclically Adjusted Deficit	-2.5	-3.1	-2.3	-1.8	-1.1	-0.5
Plus: Other Adjustments ^a	<u>0.1</u>	<u>0.6</u>	<u>0.4</u>	<u>*</u>	<u>-0.3</u>	<u>-0.3</u>
Equals: Standardized-Budget Deficit	-2.5	-2.4	-1.9	-1.8	-1.4	-0.7

Sources: Congressional Budget Office; Office of Management and Budget.

Notes: Deficits are shown as negative numbers.

* = between -0.05 percent and zero.

- a. "Other adjustments" include those made to account for unusually large discrepancies between tax payments and liabilities, swings in collections of taxes on capital gains, changes in the inflation component of the government's net interest payments, temporary legislative changes in the timing of revenues and outlays, receipts from the government's sale of assets and from auctions of licenses for the use of the electromagnetic spectrum, federal outlays for deposit insurance, and contributions from allied nations for Operation Desert Storm (which were received in 1991 and 1992).

are also projected to be larger in 2007 and 2008, compared with 2006. CBO estimates that those adjustments, which represent 1 percent of the total deficit for 2006, will rise to 25 percent in 2007 and 40 percent in 2008, raising the standardized deficit in those years.

Why Adjust Measures of the Total Budget Deficit or Surplus?

Despite some limitations, both conceptual and empirical, budget measures that filter out cyclical and other temporary factors are useful in a number of ways. For example, some analysts use those measures to discern underlying trends in government saving (that is, deficits or surpluses). Others use them to determine in a rough way whether the influence of the budget on the growth of real (inflation-adjusted) aggregate demand in the short run is positive or negative. More generally, those measures provide estimates of the extent to which changes in the bud-

get are caused by movements of the business cycle and thus are likely to prove temporary.

Drops in revenues and increases in outlays occur automatically during a cyclical downturn and then reverse themselves during a cyclical upturn. The cyclically adjusted deficit or surplus is calculated to show the underlying outcome of the federal budget balance when those automatic movements are removed. (The cyclical contribution—the difference between the total budget deficit or surplus and the cyclically adjusted deficit or surplus—is sometimes used as a measure of the so-called automatic stabilizers, which mitigate the decline of real income in recessions and dampen its growth in booms.)³

3. Those stabilizers are the automatic decline or increase in tax liabilities and the increase or decrease in transfers to individuals (such as unemployment insurance benefits) that occur during economic downturns or upturns.

Policy actions such as tax or spending legislation create changes in the total budget deficit or surplus that are distinct from the automatic cyclical movements. Those legislative changes result in movements in the cyclically adjusted deficit or surplus in the same way that they affect the unadjusted total budget deficit or surplus. Under the rules governing CBO's baseline, however, possible future legislation has no effect on either budget measure.

Other factors that affect taxes and spending but that are not directly connected with changes in policy may also alter cyclically adjusted measures of revenues or spending. For example, increases or decreases in receipts from capital gains taxes, which may be caused by movements in the stock market, raise or lower cyclically adjusted revenues just as they raise or lower total budget revenues. Changes in capital gains tax receipts are not treated as cyclical factors and therefore are not removed from the cyclically adjusted budget measure because those receipts are not closely tied to the business cycle. Similarly, the measure does not remove the effects of certain explicit budgetary decisions that produce temporary changes—sometimes of only a few days' duration—in the timing of tax receipts or government spending. Such actions may be viewed more as accounting decisions than as changes in policy.

CBO calculates a different measure, the standardized-budget deficit or surplus, that attempts to remove those factors as well as the effects of the business cycle. For example, that measure removes capital gains tax revenues and the effects of budgetary decisions that only temporarily change the timing of revenues or outlays. As a result, the standardized-budget deficit or surplus is the more speculative of the two measures presented here.

The Cyclically Adjusted Deficit or Surplus

Calculations of cyclically adjusted budget measures attempt to remove the effects of the business cycle on revenues and outlays (that is, the cyclical part of the budget). For example, calculations of cyclically adjusted revenues exclude estimates of the revenue losses or gains that automatically occur during a recession or boom. Likewise, calculations of cyclically adjusted outlays exclude estimates of the increases or reductions in spending that attend a rise or fall in unemployment. The difference between those two measures is the cyclically adjusted deficit or surplus.

CBO's estimates of the cyclical component of revenues and outlays depend on the gap between actual GDP and potential GDP.⁴ Thus, different estimates of potential GDP will produce different estimates of the size of the cyclically adjusted deficit or surplus.⁵

CBO estimates that under the laws in place as of January 2007, the cyclically adjusted deficit will decrease from 1.8 percent of potential GDP in 2006 to 1.1 percent in 2007 and 0.5 percent in 2008 (see Figure 1). As a percentage of potential GDP, the cyclically adjusted deficits projected for 2007 and 2008 would be the smallest since 2002, when it amounted to 0.8 percent.

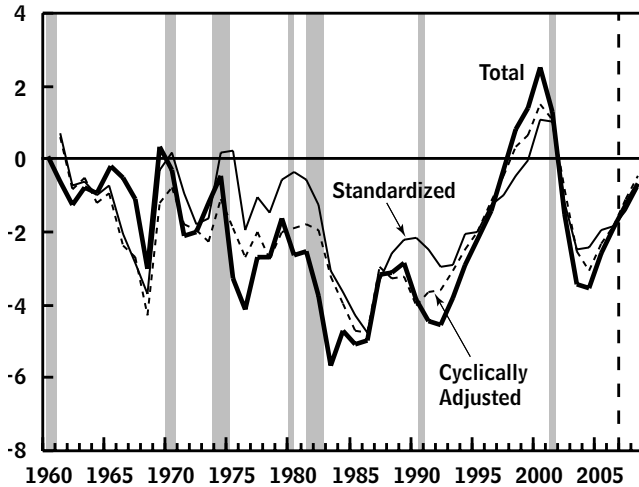
The effect of the business cycle on the budget deficit or surplus is measured by the cyclical contribution—the difference between the total budget deficit or surplus and the cyclically adjusted deficit or surplus. In 2000, the cyclical contribution amounted to a surplus of 1.0 percent of potential GDP, which indicated that the economy was temporarily augmenting the total budget surplus by a significant amount. By 2002, the cyclical contribution had turned negative, reaching 0.6 percent of potential GDP—which meant that the economy, in operating below its potential, was adding to the total budget deficit. A string of negative but diminishing contributions persisted up to 2006, falling from 0.9 percent to 0.1 percent of potential GDP between 2003 and 2006. Cyclical contributions will remain negative in 2007 and 2008, CBO projects, but they will be slightly larger than in 2006, increasing the deficit in each year by roughly 0.2 percent of potential GDP.

In its annual report on the budget and the economy, CBO presents estimates (or “rules of thumb”) that specify how the budget would respond if certain economic assumptions were changed.⁶ The estimates of the cyclical contribution presented here differ from those that would

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4. For CBO's method of estimating potential GDP, see Congressional Budget Office, *CBO's Method for Estimating Potential Output: An Update* (August 2001). See the Web site (www.cbo.gov) for CBO's current estimate of potential output.
 5. For a discussion of the relationship between the cyclically adjusted budget and potential GDP, see Congressional Budget Office, *The Budget Adjusted for Effects of the Business Cycle* (July 1999). See also Congressional Budget Office, *A Summary of Alternative Methods for Estimating Potential GDP* (March 2004).
 6. See Congressional Budget Office, *The Budget and Economic Outlook: Fiscal Years 2008 to 2017* (January 2007), Appendix B.

Figure 1.
Standardized, Cyclically Adjusted, and Total Budget Deficits or Surpluses

(Percentage of potential gross domestic product)



Sources: Congressional Budget Office; Office of Management and Budget.

Notes: The shaded vertical bars indicate periods of recession. A recession extends from the peak of a business cycle to its trough.

The dashed vertical line separates actual from projected data.

be obtained by using the rules of thumb. The rule-of-thumb estimates attempt to capture the budgetary effects of sustained changes in the rate of growth of GDP and other economic variables, whereas the estimates presented in this report are meant to filter out temporary cyclical fluctuations.

Economic research suggests that fundamental changes in the economy occurred in the early 1980s that may have resulted in fewer and milder cyclical movements in the economy.⁷ For instance, in the first 37 years after World War II, there were 8 recessions; whereas in the 25 years since 1982, there have been just 2 recessions—each of them milder than average.

A more stable economy since the early 1980s has tended to reduce budget swings that stem from business cycles. For example, the cyclical component went from reducing the budget deficit by 1.1 percent of potential GDP in 1973 to raising the deficit by 1.4 percent of potential GDP in 1975. The back-to-back recessions of 1980 and 1981–1982 widened the budget deficit even more. By

contrast, the swings in the cyclical contributions to the deficit in the 1990–1991 and 2001 recessions were much smaller.

The Standardized-Budget Deficit or Surplus

CBO routinely calculates another adjusted budget measure, the standardized-budget deficit or surplus. That measure excludes the effects of cyclical fluctuations and of factors that are short-lived and unlikely to significantly affect real income in the short term.⁸ Those factors include unusually large discrepancies between tax payments and liabilities, swings in collections of capital gains taxes, changes in the inflation component of the government's net interest payments, temporary legislative changes in the timing of revenues and outlays, receipts from the government's sale of assets and auctions of licenses for use of the electromagnetic spectrum, and federal outlays for deposit insurance.

A substantial discrepancy between tax payments and liabilities emerged most recently in 2003, when estimated and withheld tax payments were reduced for only about half of the year, even though the Jobs and Growth Tax Relief Reconciliation Act lowered tax liabilities for all of the year. The discrepancy, which CBO estimates at \$20 billion, meant that taxpayers generally expected to receive larger refunds (or to make smaller final settlements) in the spring of 2004 and might have adjusted their 2003 spending plans as a result. Accordingly, in calculating the standardized budget, CBO treated those overpayments in 2003 (and similar discrepancies between tax payments and liabilities that occurred in the past) as if they affected only the timing of tax payments and not

7. Greater macroeconomic stability appears to stem from a variety of interrelated causes—changes in the conduct of monetary policy; structural changes in the economy (such as increased competition, the use of information technology, financial market innovations, and reduced economic regulation); and, perhaps, a reduction in shocks to the world economy. For a discussion of these arguments, see Congressional Budget Office, *The Economic Effects of Recent Increases in Energy Prices*, Chapter 3 (July 2006); and *Economic Volatility*, statement of Peter R. Orszag, Director, before the Committee on Ways and Means, House of Representatives (January 31, 2007).

8. See Congressional Budget Office, *The Standardized Budget: Revised Historical Estimates* (June 2000).

perceived after-tax income. That adjustment removed the overpayments from standardized revenue totals for 2003 and reduced refunds (thus increasing standardized revenues) in 2004 by the same amount.

CBO removes capital gains tax receipts from the standardized budget for two reasons. First, removing those tax receipts avoids the misleading effects that may arise, for example, when a cut in the tax rate on capital gains temporarily encourages investors to realize taxable gains by enough to increase revenues. If capital gains taxes were included, that rise in revenues would cause the standardized-budget measure to indicate—incorrectly—that a lowered tax rate could increase the tax burden and thus reduce the growth of real income in the short term. Second, although capital gains tax receipts move up and down over the business cycle, they are not tied closely enough to the business cycle to be fully captured by the cyclical adjustments to revenues.

CBO also removes changes in the inflation component of net interest from its calculation of the standardized budget. That component reflects the effect of inflation on the value of outstanding federal debt and does not add to or subtract from real income.

Legislation sometimes temporarily shifts the timing of receipts or outlays (usually from the end of one fiscal year to the beginning of the next). CBO excludes those small timing shifts from the standardized budget because they are unlikely to significantly alter people's perception of their real income. In addition, CBO excludes receipts from the government's sale of assets and from auctions of licenses to use the electromagnetic spectrum. Those transactions are voluntary exchanges of existing assets that have little or no effect on private net worth or on the growth of real income. CBO also removes outlays for deposit insurance because their effects on real income occurred in earlier years (when various thrift institutions failed).

CBO projects that in 2007, under current laws and policies, the ratio of the standardized-budget deficit to potential GDP will fall by 0.5 percentage points, compared with a decline in the ratio for the cyclically adjusted deficit of 0.7 percentage points. The difference between the movements in the two measures reflects the adjustments to the standardized-budget deficit for factors other than the business cycle. In 2008, the ratio of the standardized-budget deficit to potential GDP and the ratio of the cyclically adjusted deficit to potential GDP will both fall by 0.6 percentage points, CBO projects.



Appendix: Details of CBO's Projections of the Standardized-Budget Deficit

The standardized-budget deficit amounted to 1.8 percent of potential gross domestic product, or potential GDP, in 2006, which is almost the same as in 2005, and roughly ½ percentage point smaller than in 2003 and 2004 (see Tables A-1 and A-2). An increase in the ratio of standardized revenues to potential GDP, from 17.0 percent to 17.7 percent, was offset by a rise in standardized outlays, from 18.9 percent to 19.5 percent. The rise in standardized revenues was about the same as the rise in cyclically adjusted revenues, but the rise in standardized outlays was somewhat larger than the increase in cyclically adjusted outlays.

The larger rise in standardized outlays compared with cyclically adjusted outlays was mainly due to two factors. First, some standardized outlays were shifted from 2005 into 2006 to reverse an acceleration of actual payments from 2006 into 2005 for Supplemental Security Income, veterans' benefits, and Medicare payments for managed care. The other major factor was a decline in the inflation component of interest payments between 2005 and 2006.

Under the assumptions incorporated in the Congressional Budget Office's (CBO's) baseline projections for January 2007, which reflect past but not future legislation, the ratio of the standardized-budget deficit to

potential GDP is forecast to decrease in 2007 by 0.5 percentage points and by 0.6 percentage points in 2008. For 2007, CBO projects that the decline in the standardized deficit will be about equally attributable to a rise in standardized revenues and a fall in standardized outlays. The decline in standardized outlays, in turn, largely reflects a decrease in cyclically adjusted outlays that is partly offset by a further decline in the inflation component of interest payments. The combined effects of timing and other adjustments to mandatory spending are relatively small. The larger decline in the standardized deficit in 2008 is mostly due to stronger growth in standardized revenues.

The decrease in the standardized-budget deficit of 1.1 percentage points of potential GDP that CBO anticipates from 2006 to 2008 is slightly smaller than the 1.4-percentage-point projected decline in the cyclically adjusted deficit. That difference reflects the various adjustments that are specific to the standardized budget (see Table A-3). Those adjustments are very small in 2006 but are roughly 0.3 percent of potential GDP in both 2007 and 2008. That change is basically due to a smaller adjustment for the inflation component of interest payments.

Historical estimates of the standardized-budget measures and related series are presented in Tables A-4 and A-5.

Table A-1.**Details of the Standardized-Budget Deficit in Billions of Dollars, 2003 to 2008**

	Actual				Projected	
	2003	2004	2005	2006	2007	2008
Revenues						
Budget	1,783	1,880	2,154	2,407	2,542	2,720
Minus: Cyclical contribution	-79	-47	-32	-13	-27	-29
Equals: Cyclically adjusted	1,862	1,928	2,186	2,420	2,569	2,749
Plus: Other adjustments	-65	-42	-88	-106	-106	-105
Equals: Standardized	1,797	1,886	2,098	2,314	2,463	2,644
Mandatory Spending Less Offsetting Receipts						
Budget	1,182	1,237	1,321	1,411	1,455	1,533
Minus: Cyclical contribution	16	9	-2	-6	-4	1
Equals: Cyclically adjusted	1,165	1,229	1,322	1,417	1,460	1,533
Plus: Other adjustments	6	7	-2	16	24	23
Equals: Standardized	1,172	1,236	1,320	1,433	1,484	1,556
Discretionary Spending						
Budget	825	895	968	1,016	1,024	1,034
Plus: Timing adjustment	0	0	-4	*	4	0
Equals: Standardized	825	895	964	1,016	1,028	1,034
Interest Payments						
Budget	153	160	184	227	235	250
Plus: Inflation adjustment	-77	-120	-133	-120	-92	-89
Equals: Standardized	76	41	51	107	143	161
Total Deficit						
Budget	-378	-413	-318	-248	-172	-98
Minus: Cyclical contribution	-95	-56	-30	-8	-23	-30
Equals: Cyclically adjusted	-282	-357	-288	-240	-149	-68
Plus: Other adjustments ^a	6	71	51	-2	-42	-39
Equals: Standardized	-276	-286	-237	-242	-192	-108

Sources: Congressional Budget Office; Office of Management and Budget.

Notes: The cyclical contribution to revenues is negative when actual gross domestic product (GDP) is less than potential GDP. The cyclical contribution to mandatory spending is positive when the unemployment rate is higher than the natural rate of unemployment. The cyclical contribution to the budget deficit equals the cyclical contribution to revenues minus the cyclical contribution to mandatory spending. (No cyclical adjustment is estimated for discretionary spending or interest payments.)

Deficits are shown as negative numbers.

* = between -\$500 million and zero.

a. "Other adjustments" to the total deficit comprise "other adjustments" to revenues minus the sum of "other adjustments" to mandatory spending, the "timing adjustment" to discretionary spending, and the "inflation adjustment" to interest payments.

Table A-2.**Details of the Standardized-Budget Deficit as a Percentage of Potential Gross Domestic Product, 2003 to 2008**

	Actual				Projected	
	2003	2004	2005	2006	2007	2008
Revenues						
Budget	16.1	16.1	17.4	18.4	18.5	18.9
Minus: Cyclical contribution	-0.7	-0.4	-0.3	-0.1	-0.2	-0.2
Equals: Cyclically adjusted	16.8	16.5	17.7	18.5	18.7	19.1
Plus: Other adjustments	-0.6	-0.4	-0.7	-0.8	-0.8	-0.7
Equals: Standardized	16.2	16.1	17.0	17.7	17.9	18.4
Mandatory Spending Less Offsetting Receipts						
Budget	10.7	10.6	10.7	10.8	10.6	10.7
Minus: Cyclical contribution	0.1	0.1	*	*	*	*
Equals: Cyclically adjusted	10.5	10.5	10.7	10.8	10.6	10.6
Plus: Other adjustments	0.1	0.1	*	0.1	0.2	0.2
Equals: Standardized	10.6	10.6	10.7	10.9	10.8	10.8
Discretionary Spending						
Budget	7.4	7.7	7.8	7.8	7.5	7.2
Plus: Timing adjustment	0	0	*	*	*	0
Equals: Standardized	7.4	7.7	7.8	7.8	7.5	7.2
Interest Payments						
Budget	1.4	1.4	1.5	1.7	1.7	1.7
Plus: Inflation adjustment	-0.7	-1.0	-1.1	-0.9	-0.7	-0.6
Equals: Standardized	0.7	0.3	0.4	0.8	1.0	1.1
Total Deficit						
Budget	-3.4	-3.5	-2.6	-1.9	-1.3	-0.7
Minus: Cyclical contribution	-0.9	-0.5	-0.2	-0.1	-0.2	-0.2
Equals: Cyclically adjusted	-2.5	-3.1	-2.3	-1.8	-1.1	-0.5
Plus: Other adjustments ^a	0.1	0.6	0.4	*	-0.3	-0.3
Equals: Standardized	-2.5	-2.4	-1.9	-1.8	-1.4	-0.7

Sources: Congressional Budget Office; Office of Management and Budget.

Notes: The cyclical contribution to revenues is negative when actual gross domestic product (GDP) is less than potential GDP. The cyclical contribution to mandatory spending is positive when the unemployment rate is higher than the natural rate of unemployment. The cyclical contribution to the budget deficit equals the cyclical contribution to revenues minus the cyclical contribution to mandatory spending. (No cyclical adjustment is estimated for discretionary spending or interest payments.)

Deficits are shown as negative numbers.

* = between -0.05 percent and 0.05 percent.

- a. "Other adjustments" to the total deficit comprise "other adjustments" to revenues minus the sum of "other adjustments" to mandatory spending, the "timing adjustment" to discretionary spending, and the "inflation adjustment" to interest payments.

Table A-3.**Details of the “Other Adjustments” to the Standardized Budget, 2003 to 2008**

	Actual				Projected	
	2003	2004	2005	2006	2007	2008
In Billions of Dollars						
Revenues						
Capital gains	-50	-61	-84	-103	-109	-105
Timing adjustment	6	-1	-5	-3	3	0
Other	-20	20	0	0	0	0
Mandatory Spending Less Offsetting Receipts						
Deposit insurance	-1	-2	-1	-1	-2	-3
Asset sales	-5	-5	-6	-7	-7	-9
Spectrum auctions	0	0	*	*	-14	-10
Timing adjustment	0	0	9	-8	-1	-1
Discretionary Spending						
Timing adjustment	0	0	4	*	-4	0
Interest Payments						
Inflation adjustment	<u>77</u>	<u>120</u>	<u>133</u>	<u>120</u>	<u>92</u>	<u>89</u>
Total	<u>6</u>	<u>71</u>	<u>51</u>	<u>-2</u>	<u>-42</u>	<u>-39</u>
As a Percentage of Potential Gross Domestic Product						
Revenues						
Capital gains	-0.5	-0.5	-0.7	-0.8	-0.8	-0.7
Timing adjustment	**	**	**	**	**	0
Other	-0.2	0.2	0	0	0	0
Mandatory Spending Less Offsetting Receipts						
Deposit insurance	**	**	**	**	**	**
Asset sales	**	**	**	-0.1	-0.1	-0.1
Spectrum auctions	0	0	**	**	-0.1	-0.1
Timing adjustment	0	0	0.1	-0.1	**	**
Discretionary Spending						
Timing adjustment	0	0	**	**	**	0
Interest Payments						
Inflation adjustment	<u>0.7</u>	<u>1.0</u>	<u>1.1</u>	<u>0.9</u>	<u>0.7</u>	<u>0.6</u>
Total	<u>0.1</u>	<u>0.6</u>	<u>0.4</u>	<u>**</u>	<u>-0.3</u>	<u>-0.3</u>

Sources: Congressional Budget Office; Office of Management and Budget.

Notes: The adjustments to spending in this table have the opposite sign from the corresponding adjustments in Tables A-1 and A-2 because the adjustments in this table sum to show the total effect on the deficit.

* = between -\$500 million and \$500 million; ** = between -0.05 percent and 0.05 percent.

Table A-4.**Standardized-Budget Deficit or Surplus and Related Series in Billions of Dollars, 1962 to 2008**

	Budget Deficit (-) or Surplus	-	Cyclical Contribution	=	Cyclically Adjusted Deficit (-) or Surplus	+	Other Adjustments ^a	=	Standardized- Budget Deficit (-) or Surplus	Standardized Budget	
										Revenues	Outlays
1962	-7		-2		-5		1		-4	99	104
1963	-5		-2		-3		*		-4	106	110
1964	-6		2		-8		1		-6	109	115
1965	-1		5		-6		1		-5	110	115
1966	-4		13		-17		2		-15	115	130
1967	-9		12		-21		-1		-22	131	153
1968	-25		11		-36		5		-31	140	171
1969	3		14		-11		8		-3	170	173
1970	-3		5		-8		10		2	186	184
1971	-23		-4		-19		9		-10	187	197
1972	-23		*		-23		2		-21	199	220
1973	-15		14		-29		8		-21	213	234
1974	-6		10		-16		18		3	251	249
1975	-53		-23		-31		34		3	301	298
1976	-74		-25		-48		14		-35	310	344
1977	-54		-14		-40		19		-21	358	378
1978	-59		1		-60		28		-32	390	422
1979	-41		9		-50		36		-13	446	459
1980	-74		-21		-52		43		-10	523	533
1981	-79		-24		-55		39		-17	606	623
1982	-128		-62		-66		23		-43	655	698
1983	-208		-89		-119		7		-112	653	765
1984	-185		-30		-155		12		-143	673	816
1985	-212		-16		-196		17		-179	723	902
1986	-221		-11		-210		-1		-212	747	959
1987	-150		-12		-137		-19		-156	815	971
1988	-155		8		-163		36		-128	868	996
1989	-153		21		-173		56		-117	937	1,054

Continued

Table A-4.**Continued**

	Budget Deficit (-) or Surplus	-	Cyclical Contribution	=	Cyclically Adjusted Deficit (-) or Surplus	+	Other Adjustments ^a	=	Standardized- Budget Deficit (-) or Surplus	Standardized Budget	
										Revenues	Outlays
1990	-221		10		-231		109		-122	992	1,113
1991	-269		-48		-221		71		-150	1,068	1,219
1992	-290		-62		-228		40		-188	1,124	1,312
1993	-255		-51		-204		11		-193	1,165	1,358
1994	-203		-28		-175		30		-145	1,245	1,390
1995	-164		-17		-147		*		-146	1,330	1,477
1996	-107		-19		-88		-8		-96	1,417	1,513
1997	-22		16		-38		-42		-80	1,494	1,574
1998	69		42		28		-66		-38	1,594	1,632
1999	126		68		58		-58		-1	1,661	1,662
2000	236		94		142		-37		105	1,820	1,715
2001	128		17		111		-6		105	1,900	1,795
2002	-158		-68		-90		-36		-126	1,824	1,950
2003	-378		-95		-282		6		-276	1,797	2,073
2004	-413		-56		-357		71		-286	1,886	2,172
2005	-318		-30		-288		51		-237	2,098	2,335
2006	-248		-8		-240		-2		-242	2,314	2,556
2007 ^b	-172		-23		-149		-42		-192	2,463	2,655
2008 ^b	-98		-30		-68		-39		-108	2,644	2,751

Sources: Congressional Budget Office; Office of Management and Budget.

Note: * = between -\$500 million and \$500 million.

a. "Other adjustments" include those made to account for unusually large discrepancies between tax payments and liabilities, swings in collections of taxes on capital gains, changes in the inflation component of the government's net interest payments, temporary legislative changes in the timing of revenues and outlays, receipts from the government's sale of assets and from auctions of licenses for the use of the electromagnetic spectrum, federal outlays for deposit insurance, and contributions from allied nations for Operation Desert Storm (which were received in 1991 and 1992).

b. Projected.

Table A-5.

Standardized-Budget Deficit or Surplus and Related Series as a Percentage of Potential Gross Domestic Product, 1962 to 2008

	Budget Deficit (-) or Surplus	- Cyclical Contribution	=	Cyclically Adjusted Deficit (-) or Surplus	+	Other Adjustments ^a	=	Standardized- Budget Deficit (-) or Surplus	Standardized Budget	
									Revenues	Outlays
1962	-1.2	-0.4		-0.8		0.1		-0.7	17.3	18.0
1963	-0.8	-0.3		-0.5		-0.1		-0.6	17.5	18.1
1964	-0.9	0.3		-1.2		0.2		-1.0	17.1	18.0
1965	-0.2	0.7		-0.9		0.2		-0.7	16.3	17.0
1966	-0.5	1.8		-2.4		0.3		-2.0	16.0	18.0
1967	-1.1	1.6		-2.7		-0.2		-2.8	16.9	19.7
1968	-3.0	1.3		-4.3		0.6		-3.7	16.6	20.3
1969	0.4	1.5		-1.2		0.9		-0.3	18.6	18.9
1970	-0.3	0.5		-0.8		1.0		0.2	18.5	18.3
1971	-2.1	-0.3		-1.8		0.9		-0.9	17.1	18.1
1972	-2.0	*		-2.0		0.2		-1.8	16.9	18.6
1973	-1.2	1.1		-2.2		0.6		-1.6	16.8	18.4
1974	-0.4	0.7		-1.1		1.3		0.2	17.7	17.6
1975	-3.3	-1.4		-1.9		2.1		0.2	18.6	18.4
1976	-4.1	-1.4		-2.7		0.8		-1.9	17.3	19.2
1977	-2.7	-0.7		-2.0		1.0		-1.0	17.8	18.9
1978	-2.7	0.1		-2.7		1.3		-1.4	17.6	19.0
1979	-1.6	0.4		-2.0		1.5		-0.5	18.0	18.5
1980	-2.7	-0.8		-1.9		1.5		-0.3	18.8	19.2
1981	-2.5	-0.8		-1.8		1.2		-0.5	19.4	20.0
1982	-3.7	-1.8		-1.9		0.7		-1.3	19.2	20.4
1983	-5.7	-2.4		-3.2		0.2		-3.0	17.8	20.8
1984	-4.7	-0.8		-4.0		0.3		-3.6	17.1	20.8
1985	-5.1	-0.4		-4.7		0.4		-4.3	17.3	21.5
1986	-5.0	-0.3		-4.7		*		-4.8	16.9	21.6
1987	-3.2	-0.3		-2.9		-0.4		-3.3	17.4	20.7
1988	-3.1	0.2		-3.3		0.7		-2.6	17.4	19.9
1989	-2.9	0.4		-3.2		1.0		-2.2	17.5	19.7

Continued

Table A-5.**Continued**

	Budget Deficit (-) or Surplus	-	Cyclical Contribution	=	Cyclically Adjusted Deficit (-) or Surplus	+	Other Adjustments ^a	=	Standardized- Budget Deficit (-) or Surplus	Standardized Budget	
										Revenues	Outlays
1990	-3.9		0.2		-4.0		1.9		-2.1	17.4	19.5
1991	-4.4		-0.8		-3.6		1.2		-2.5	17.6	20.0
1992	-4.5		-1.0		-3.6		0.6		-2.9	17.6	20.5
1993	-3.8		-0.8		-3.0		0.2		-2.9	17.4	20.3
1994	-2.9		-0.4		-2.5		0.4		-2.1	17.7	19.8
1995	-2.2		-0.2		-2.0		*		-2.0	18.0	20.0
1996	-1.4		-0.2		-1.1		-0.1		-1.2	18.3	19.5
1997	-0.3		0.2		-0.5		-0.5		-1.0	18.4	19.3
1998	0.8		0.5		0.3		-0.8		-0.4	18.7	19.2
1999	1.4		0.8		0.6		-0.7		*	18.6	18.6
2000	2.5		1.0		1.5		-0.4		1.1	19.3	18.1
2001	1.3		0.2		1.1		-0.1		1.0	18.9	17.9
2002	-1.5		-0.6		-0.8		-0.3		-1.2	17.3	18.5
2003	-3.4		-0.9		-2.5		0.1		-2.5	16.2	18.7
2004	-3.5		-0.5		-3.1		0.6		-2.4	16.1	18.6
2005	-2.6		-0.2		-2.3		0.4		-1.9	17.0	18.9
2006	-1.9		-0.1		-1.8		*		-1.8	17.7	19.5
2007 ^b	-1.3		-0.2		-1.1		-0.3		-1.4	17.9	19.3
2008 ^b	-0.7		-0.2		-0.5		-0.3		-0.7	18.4	19.1

Sources: Congressional Budget Office; Office of Management and Budget.

Note: * = between -0.05 percent and 0.05 percent.

a. "Other adjustments" include those made to account for unusually large discrepancies between tax payments and liabilities, swings in collections of taxes on capital gains, changes in the inflation component of the government's net interest payments, temporary legislative changes in the timing of revenues and outlays, receipts from the government's sale of assets and from auctions of licenses for the use of the electromagnetic spectrum, federal outlays for deposit insurance, and contributions from allied nations for Operation Desert Storm (which were received in 1991 and 1992).

b. Projected.

