A
CBO
PAPER

# The Cyclically Adjusted and Standardized Budget Measures: Updated Estimates

September 2005

The Congress of the United States ■ Congressional Budget Office

# Notes

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

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 adjust 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 for CBO to submit to the Committees on the Budget periodic reports about fiscal policy and to provide baseline projections of the federal budget. Most recently, in response to that requirement, CBO issued *The Budget and Economic Outlook: An Update* (August 2005).

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# The Cyclically Adjusted and Standardized Budget Measures: Updated Estimates

## Summary

In August 2005, the Congressional Budget Office (CBO) released its updated baseline projections of federal revenues, outlays, surpluses, and deficits for the next 10 years.[1] According to CBO's current projections, if the policies reflected in its August update were to continue, the total budget deficit would decline from $412 billion in 2004 to $331 billion in 2005 and $314 billion in 2006. Measured relative to the size of the economy—that is, as a percentage of potential gross domestic product, or GDP—the total budget deficit would move from roughly 3.5 percent to 2.7 percent and 2.4 percent, respectively.[2] (Those estimates do not take into account the budgetary effects of federal assistance and economic developments following Hurricane Katrina, which occurred after the publication of CBO's August update.)

The size of the budget surplus or deficit is influenced by temporary factors, such as the effects of the business cycle or of onetime shifts in the timing of federal tax receipts and spending, and the longer-lasting impact of factors such 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 surplus or deficit (which attempts to filter out the effects of the business cycle) and the standardized-budget surplus or deficit (which removes other factors in addition to the effects of the business cycle).

In CBO's estimation, the cyclically adjusted budget deficit—the total budget deficit minus the effects of the business cycle—will decline from 3.1 percent of potential GDP in 2004 to 2.5 percent in 2005 and 2.3 percent in 2006. By comparison, the standardized-budget deficit will change less, shrinking from 2.7 percent of potential GDP in 2004 to 2.1 percent in 2005 and 2.2 percent in 2006 (see Table 1). CBO's projections of the cyclically adjusted and standardized budgets extend only through 2006 because the economic forecast on which they are based does not attempt to reflect cyclical movements beyond that point. Consequently, projections of the cyclically adjusted budget surplus or deficit beyond 2006 would be very similar to CBO's baseline projections of the total budget surplus or deficit.

As they have since the 2001 recession, the effects of the business cycle will continue to increase the total budget deficit over the near term, CBO forecasts, but by less than they have in previous years. In 2004, those estimated effects accounted for 11 percent of the total budget deficit. (By comparison, in 2002 and 2003, such effects accounted for much larger proportions of the deficit—45 percent and 25 percent, respectively—because of the slack in the economy following the recession.) According to CBO's baseline projections for the economy and the budget, estimated economic effects will continue to augment the total budget deficit in 2005 and 2006 but by less than in 2004—8 percent and 7 percent, respectively. The additional adjustments that underlie the standardized-budget surplus or deficit (for shifts in the timing of tax receipts and outlays as well as for other factors) are also projected to shrink over the next two years, making the standardized deficit smaller than the cyclically adjusted deficit and representing 13 percent of the total deficit for 2004, 12 percent for 2005, and 4 percent for 2006.

1. See Congressional Budget Office, *The Budget and Economic Outlook: An Update* (August 2005), Table 1-2.

2. Potential GDP is the level of real (inflation-adjusted) 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 surplus or deficit.

**Table 1.**

## Measures of the Federal Budget Surplus or Deficit

| | Actual | | | | Projected | |
|---|---|---|---|---|---|---|
| | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 |
| | | | In Billions of Dollars | | | |
| Total Budget Surplus or Deficit | 128 | -158 | -378 | -412 | -331 | -314 |
| Minus: Cyclical Contribution | 12 | -71 | -93 | -47 | -25 | -21 |
| Equals: Cyclically Adjusted Surplus or Deficit | 116 | -87 | -285 | -365 | -306 | -294 |
| Plus: Other Adjustments[a] | -7 | -39 | -12 | 52 | 40 | 12 |
| Equals: Standardized-Budget Surplus or Deficit | 109 | -125 | -297 | -313 | -266 | -282 |
| | | | As a Percentage of Potential GDP | | | |
| Total Budget Surplus or Deficit | 1.3 | -1.5 | -3.4 | -3.5 | -2.7 | -2.4 |
| Minus: Cyclical Contribution | 0.1 | -0.7 | -0.8 | -0.4 | -0.2 | -0.2 |
| Equals: Cyclically Adjusted Surplus or Deficit | 1.2 | -0.8 | -2.6 | -3.1 | -2.5 | -2.3 |
| Plus: Other Adjustments[a] | -0.1 | -0.4 | -0.1 | 0.4 | 0.3 | 0.1 |
| Equals: Standardized-Budget Surplus or Deficit | 1.1 | -1.2 | -2.7 | -2.7 | -2.1 | -2.2 |

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

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 use of the electromagnetic spectrum, and federal outlays for deposit insurance.

## Why Adjust Measures of the Total Budget Surplus or Deficit?

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. Others use them to determine in a rough way whether the budget is providing a positive or negative influence on the growth of real (inflation-adjusted) aggregate demand in the short run. More generally, those measures provide estimates of the extent to which changes in the budget 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 surplus or deficit is calculated to show the underlying outcome of the federal budget when those automatic movements are removed. (The cyclical contribution—the difference between the total budget surplus or deficit and the cyclically adjusted surplus or deficit—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]

Policy actions by the Congress and the President, such as tax or spending legislation, create changes in the total budget surplus or deficit that are distinct from the automatic cyclical movements. The cyclically adjusted surplus or deficit includes the effects of those legislated changes.

The cyclically adjusted surplus or deficit also reflects other factors, not directly connected with changes in policy, that alter revenues or spending. For example, the measure includes changes in receipts from capital gains taxes, which may be caused by movements in the stock market. Changes in capital gains tax receipts are not treated as cyclical factors and therefore are not removed from the cyclically adjusted budget measure because the

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

link between those receipts and the business cycle is tenuous. Similarly, the measure does not adjust for certain explicit budgetary decisions that can produce temporary changes—sometimes of only a few days' duration—in the timing of tax receipts or government spending. Such actions can be viewed more as accounting decisions than as changes in policy.

CBO calculates a different measure, the standardized-budget surplus or deficit, that attempts to remove those factors as well as the effects of the business cycle. As a result, the standardized-budget surplus or deficit is the more speculative of the two measures presented here.

Federal taxes and spending can affect the economy in many ways beyond the short term and thus may alter the prospects for economic growth in the long run, particularly by changing incentives to work, save, invest, and improve the allocation of resources. (Frequently—as was the case with the enactment of the Economic Growth and Tax Relief Reconciliation Act of 2001, or EGTRRA, and the Jobs and Growth Tax Relief Reconciliation Act of 2003, or JGTRRA—both short- and long-term effects are intended.) Summary budget measures such as the cyclically adjusted and standardized budget surplus or deficit are generally of limited use in identifying the economic effects of changes in incentives. Instead, CBO's estimates of those impacts are incorporated in its economic forecasts.[4]

## The Cyclically Adjusted Surplus or Deficit

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, cyclically adjusted revenues exclude estimates of the revenue losses that automatically occur during recessions. Likewise, cyclically adjusted outlays exclude estimates of the additional spending that automatically follows a rise in unemployment. The difference between those two measures is the cyclically adjusted surplus or deficit.

CBO's estimates of the cyclical component of revenues and outlays depend on the gap between actual GDP and potential GDP.[5] However, those estimates of the cyclical component may not capture all of the movement in revenues and outlays that some analysts might view as cyclical. Moreover, different estimates of potential GDP will produce different estimates of the size of the cyclically adjusted surplus or deficit.[6]

CBO estimates that the cyclically adjusted deficit will decline from 3.1 percent of potential GDP in 2004 to 2.5 percent in 2005 and 2.3 percent in 2006—an overall decrease for the period of 0.8 percent (see Figure 1). As a percentage of potential GDP, the cyclically adjusted deficit projected for 2006 is the smallest since 2002.

The effect of the business cycle on the budget surplus or deficit is measured by the cyclical contribution—–the difference between the total budget surplus or deficit and the cyclically adjusted surplus or deficit. In 2001, the cyclical contribution amounted to a negligible surplus of 0.1 percent of potential GDP, which indicated that the economy was temporarily augmenting the total budget surplus by a small amount. Since then, that cyclical contribution has been negative (by as much as 0.8 percent of potential GDP in 2003), which means that the weak economy has been adding to the total budget deficit. That pattern of negative contributions continued in 2004: economic effects pushed up the deficit by an amount equal to 0.4 percent of potential GDP. Cyclical contributions will remain negative in 2005 and 2006, CBO projects, but they will be smaller, increasing the deficit in each year by an amount equal to only 0.2 percent of potential GDP.

In its annual reports on the budget and the economy, CBO presents estimates (or "rules of thumb") of how the budget would respond if certain economic assumptions were changed.[7] The estimates of the cyclical contribution

4. For a description of the long-term macroeconomic effects of EGTRRA, JGTRRA, and the Job Creation and Worker Assistance Act of 2002, see Congressional Budget Office, *The Budget and Economic Outlook: An Update* (August 2003), Box 2-3.

5. CBO's estimates of potential GDP and the calculations that lie behind them can be found at www.cbo.gov.

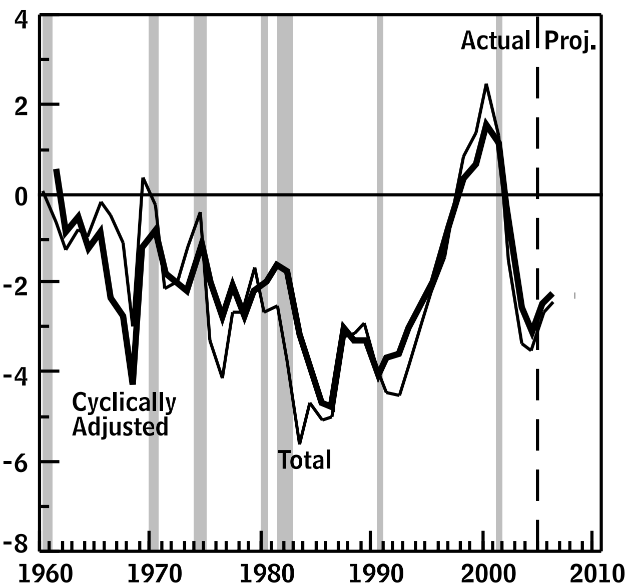
6. For a discussion of the relationship between the cyclically adjusted budget and potential GDP, see Congressional Budget Office, *The Budget Adjusted for Effects of the Business Cycle* (July 30, 1999). See also Congressional Budget Office, *A Summary of Alternative Methods for Estimating Potential GDP* (March 2004).

7. See Congressional Budget Office, *The Budget and Economic Outlook: Fiscal Years 2006 to 2015*, Appendix A.

**Figure 1.**

## The Cyclically Adjusted and Total Budget Surpluses or Deficits

(Percentage of potential GDP)




Source: Congressional Budget Office.

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

The data points for 2005 and 2006 are projected.

presented here differ from those that would 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.

## The Standardized-Budget Surplus or Deficit

CBO routinely publishes another adjusted budget measure, the standardized-budget surplus or deficit. That measure excludes the effects not only of cyclical fluctuations but also of factors that are short-lived and unlikely to significantly affect real income in the short term.[8]

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

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 from auctions of licenses for the 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 taxpayers did not reduce their estimated and withheld tax payments to correspond with the reductions in their tax liabilities. The discrepancy arose because JGTRRA's reductions in tax rates for all of calendar year 2003 were reflected in lower withholding rates for only about half of that year, implying additional refunds or reductions in final settlements of roughly $20 billion in the spring of 2004. Because those overpayments in fiscal year 2003 (and correspondingly higher refunds in 2004) were temporary, they should have had little impact on people's perception of their income. For that reason, in calculating the standardized budget, CBO treated those overpayments (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 perceived real income. That adjustment removed the temporary overpayments from revenue totals for 2003 and reduced refunds 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 can 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 tax cut could reduce the growth of real income in the short term. Second, although capital gains tax receipts move up and down over the business cycle, those movements are not regular enough to be 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 the growth of real income. Finally, CBO removes outlays for deposit insurance because the impact of those outlays on real income occurred in earlier years (when various thrift institutions failed).[9]

CBO projects that in 2005, the standardized-budget deficit, measured as a percentage of potential GDP, will decline by as much as the cyclically adjusted budget deficit does but that in 2006, the standardized deficit will barely change. Thus, in CBO's estimation, the standardized-budget deficit will shrink from 2.7 percent of potential GDP in 2004 to 2.1 percent in 2005 and then increase slightly, to 2.2 percent in 2006. The difference between the movements in the two measures reflects the adjustments to the standardized-budget deficit for factors other than the business cycle, a net adjustment that amounts to 0.4 percent of potential GDP in 2004, 0.3 percent in 2005, and 0.1 percent in 2006.

9. The short-term impact of deposit insurance is discussed in Congressional Budget Office, *The Economic and Budget Outlook: An Update* (August 1991).

APPENDIX

# A

# Details of CBO's Projections of the Standardized-Budget Surplus or Deficit

The standardized-budget deficit, following large increases in both 2002 and 2003, registered a small rise of $16 billion in 2004, which kept the deficit at 2.7 percent of potential gross domestic product (GDP). Standardized revenues rose slightly relative to potential GDP in 2004, as did the standardized measure of discretionary spending. By contrast, standardized mandatory outlays did not change relative to potential GDP, and the inflation component of interest payments declined slightly.

Under the assumptions incorporated in the Congressional Budget Office's (CBO's) updated baseline projections, the standardized-budget deficit is forecast to change course in 2005 and decline (by 0.6 percent of potential GDP) before it expands again slightly in 2006. For 2005, a large rise in standardized revenues (0.8 percent of potential GDP) is only partly offset by the net effect of small increases in the standardized measures of mandatory outlays, discretionary spending, and interest payments (all relative to potential GDP). For 2006, the standardized-budget deficit shows a small rise of 0.1 percent of potential GDP. In that year, the combined increases (before rounding) in standardized mandatory spending and interest payments are a bit larger than the increase in standardized revenues plus the decrease in standardized discretionary spending.

The change in the standardized-budget deficit that CBO anticipates for 2005 is the same size as the change in the cyclically adjusted budget deficit (0.6 percent of potential GDP), despite the various adjustments that are specific to the standardized budget. By contrast, the two measures move in opposite directions in 2006, when those additional adjustments fall from 0.3 percent of potential GDP in 2005 to 0.1 percent. That drop is on the outlay side and reflects a small increase in the adjustment to mandatory spending plus a small decrease in the adjustment for the inflation component of interest payments.

**Table A-1.**

## Details of the Standardized-Budget Surplus or Deficit in Billions of Dollars

| | Actual | | | | Projected | |
|---|---|---|---|---|---|---|
| | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 |
| Revenues | | | | | | |
| Budget | 1,991 | 1,853 | 1,782 | 1,880 | 2,142 | 2,280 |
| Minus: Cyclical contribution | 8 | -60 | -85 | -46 | -28 | -21 |
| Equals: Cyclically adjusted | 1,983 | 1,913 | 1,867 | 1,926 | 2,170 | 2,301 |
| Plus: Other adjustments | -76 | -82 | -68 | -32 | -64 | -64 |
| Equals: Standardized | 1,906 | 1,831 | 1,799 | 1,894 | 2,105 | 2,237 |
| Mandatory Spending Less Offsetting Receipts | | | | | | |
| Budget | 1,008 | 1,106 | 1,181 | 1,237 | 1,329 | 1,396 |
| Minus: Cyclical contribution | -4 | 12 | 8 | 1 | -2 | * |
| Equals: Cyclically adjusted | 1,011 | 1,094 | 1,174 | 1,236 | 1,331 | 1,396 |
| Plus: Other adjustments | 11 | 9 | 6 | 7 | -3 | 11 |
| Equals: Standardized | 1,022 | 1,103 | 1,180 | 1,243 | 1,329 | 1,407 |
| Discretionary Spending[a] | | | | | | |
| Budget | 649 | 734 | 825 | 894 | 962 | 991 |
| Plus: Timing adjustment | 3 | 0 | 0 | 0 | -4 | 0 |
| Equals: Standardized | 652 | 734 | 825 | 894 | 958 | 991 |
| Interest Payments[a] | | | | | | |
| Budget | 206 | 171 | 153 | 160 | 182 | 208 |
| Plus: Inflation adjustment | -83 | -52 | -62 | -91 | -98 | -87 |
| Equals: Standardized | 123 | 118 | 91 | 69 | 84 | 121 |
| Total Surplus or Deficit | | | | | | |
| Budget | 128 | -158 | -378 | -412 | -331 | -314 |
| Minus: Cyclical contribution | 12 | -71 | -93 | -47 | -25 | -21 |
| Equals: Cyclically adjusted | 116 | -87 | -285 | -365 | -306 | -294 |
| Plus: Other adjustments[b] | -7 | -39 | -12 | 52 | 40 | 12 |
| Equals: Standardized | 109 | -125 | -297 | -313 | -266 | -282 |

Sources: Congressional Budget Office; Department of the Treasury; Office of Management and Budget.

Notes: The cyclical contribution to revenues is negative when actual GDP is less than potential GDP. The cyclical contribution to mandatory spending is positive when the unemployment rate is higher than the nonaccelerating inflation rate of unemployment. The cyclical contribution to the budget surplus or deficit equals the cyclical contribution to revenues minus the cyclical contribution to mandatory spending.

* = between -$500 million and $500 million.

a. No cyclical adjustment was estimated.

b. "Other adjustments" to the total surplus or 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 Surplus or Deficit as a Percentage of Potential GDP

| | Actual | | | | Projected | |
|---|---|---|---|---|---|---|
| | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 |
| Revenues | | | | | | |
| Budget | 19.8 | 17.5 | 16.0 | 16.0 | 17.3 | 17.5 |
| Minus: Cyclical contribution | 0.1 | -0.6 | -0.8 | -0.4 | -0.2 | -0.2 |
| Equals: Cyclically adjusted | 19.7 | 18.0 | 16.8 | 16.4 | 17.5 | 17.6 |
| Plus: Other adjustments | -0.8 | -0.8 | -0.6 | -0.3 | -0.5 | -0.5 |
| Equals: Standardized | 19.0 | 17.3 | 16.1 | 16.2 | 17.0 | 17.2 |
| Mandatory Spending Less Offsetting Receipts | | | | | | |
| Budget | 10.0 | 10.4 | 10.6 | 10.6 | 10.7 | 10.7 |
| Minus: Cyclical contribution | * | 0.1 | 0.1 | * | * | * |
| Equals: Cyclically adjusted | 10.1 | 10.3 | 10.5 | 10.6 | 10.8 | 10.7 |
| Plus: Other adjustments | 0.1 | 0.1 | 0.1 | 0.1 | * | 0.1 |
| Equals: Standardized | 10.2 | 10.4 | 10.6 | 10.6 | 10.7 | 10.8 |
| Discretionary Spending[a] | | | | | | |
| Budget | 6.5 | 6.9 | 7.4 | 7.6 | 7.8 | 7.6 |
| Plus: Timing adjustment | * | 0 | 0 | 0 | * | * |
| Equals: Standardized | 6.5 | 6.9 | 7.4 | 7.6 | 7.8 | 7.6 |
| Interest Payments[a] | | | | | | |
| Budget | 2.1 | 1.6 | 1.4 | 1.4 | 1.5 | 1.6 |
| Plus: Inflation adjustment | -0.8 | -0.5 | -0.6 | -0.8 | -0.8 | -0.7 |
| Equals: Standardized | 1.2 | 1.1 | 0.8 | 0.6 | 0.7 | 0.9 |
| Total Surplus or Deficit | | | | | | |
| Budget | 1.3 | -1.5 | -3.4 | -3.5 | -2.7 | -2.4 |
| Minus: Cyclical contribution | 0.1 | -0.7 | -0.8 | -0.4 | -0.2 | -0.2 |
| Equals: Cyclically adjusted | 1.2 | -0.8 | -2.6 | -3.1 | -2.5 | -2.3 |
| Plus: Other adjustments[b] | -0.1 | -0.4 | -0.1 | 0.4 | 0.3 | 0.1 |
| Equals: Standardized | 1.1 | -1.2 | -2.7 | -2.7 | -2.1 | -2.2 |

Sources: Congressional Budget Office; Department of the Treasury; Office of Management and Budget.

Notes: The cyclical contribution to revenues is negative when actual GDP is less than potential GDP. The cyclical contribution to mandatory spending is positive when the unemployment rate is higher than the nonaccelerating inflation rate of unemployment. The cyclical contribution to the budget surplus or deficit equals the cyclical contribution to revenues minus the cyclical contribution to mandatory spending.

* = less than 0.05 percent and greater than -0.05 percent.

a. No cyclical adjustment was estimated.

b. "Other adjustments" to the total surplus or 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.**

## History of the Standardized-Budget Surplus or Deficit and Related Series in Billions of Dollars

| | Total Budget Surplus or Deficit | - Cyclical Contribution[a] = | Cyclically Adjusted Surplus or Deficit | + Other Adjustments[b] = | Standardized Surplus or Deficit | Standardized | |
|---|---|---|---|---|---|---|---|
| | | | | | | 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 | -14 | 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 | 1 | 186 | 184 |
| 1971 | -23 | -4 | -19 | 9 | -10 | 187 | 197 |
| 1972 | -23 | * | -23 | 2 | -21 | 199 | 220 |
| 1973 | -15 | 14 | -28 | 8 | -20 | 214 | 234 |
| 1974 | -6 | 10 | -16 | 18 | 2 | 251 | 249 |
| 1975 | -53 | -22 | -32 | 35 | 3 | 300 | 297 |
| 1976 | -74 | -24 | -50 | 14 | -36 | 309 | 345 |
| 1977 | -54 | -13 | -41 | 20 | -21 | 357 | 378 |
| 1978 | -59 | 3 | -62 | 29 | -33 | 389 | 422 |
| 1979 | -41 | 12 | -53 | 35 | -18 | 443 | 460 |
| 1980 | -74 | -20 | -54 | 43 | -10 | 522 | 532 |
| 1981 | -79 | -29 | -50 | 38 | -12 | 611 | 623 |
| 1982 | -128 | -68 | -60 | 23 | -37 | 661 | 699 |
| 1983 | -208 | -92 | -116 | 7 | -109 | 657 | 766 |
| 1984 | -185 | -32 | -153 | 12 | -141 | 676 | 816 |
| 1985 | -212 | -16 | -196 | 17 | -179 | 723 | 902 |
| 1986 | -221 | -9 | -212 | -1 | -213 | 745 | 958 |
| 1987 | -150 | -11 | -139 | -20 | -158 | 814 | 972 |
| 1988 | -155 | 9 | -164 | 37 | -127 | 868 | 995 |
| 1989 | -153 | 21 | -174 | 55 | -119 | 936 | 1,055 |

Continued

**Table A-3.**

# Continued

| | Total Budget Surplus or Deficit | - Cyclical Contribution[a] = | Cyclically Adjusted Surplus or Deficit | + Other Adjustments[b] = | Standardized Surplus or Deficit | Standardized | |
|---|---|---|---|---|---|---|---|
| | | | | | | Revenues | Outlays |
| 1990 | -221 | 11 | -232 | 109 | -123 | 990 | 1,113 |
| 1991 | -269 | -47 | -223 | 70 | -153 | 1,067 | 1,220 |
| 1992 | -290 | -61 | -230 | 41 | -189 | 1,124 | 1,313 |
| 1993 | -255 | -51 | -204 | 11 | -193 | 1,166 | 1,359 |
| 1994 | -203 | -28 | -175 | 30 | -145 | 1,246 | 1,391 |
| 1995 | -164 | -18 | -146 | * | -146 | 1,331 | 1,477 |
| 1996 | -107 | -20 | -88 | -6 | -93 | 1,417 | 1,511 |
| 1997 | -22 | 15 | -37 | -44 | -81 | 1,495 | 1,576 |
| 1998 | 69 | 40 | 29 | -67 | -37 | 1,597 | 1,634 |
| 1999 | 126 | 65 | 60 | -47 | 13 | 1,675 | 1,662 |
| 2000 | 236 | 90 | 146 | -38 | 109 | 1,826 | 1,717 |
| 2001 | 128 | 12 | 116 | -7 | 109 | 1,906 | 1,798 |
| 2002 | -158 | -71 | -87 | -39 | -125 | 1,831 | 1,956 |
| 2003 | -378 | -93 | -285 | -12 | -297 | 1,799 | 2,096 |
| 2004 | -412 | -47 | -365 | 52 | -313 | 1,894 | 2,207 |
| 2005[c] | -331 | -25 | -306 | 40 | -266 | 2,105 | 2,371 |
| 2006[c] | -314 | -21 | -294 | 12 | -282 | 2,237 | 2,519 |

Sources: Congressional Budget Office; Department of the Treasury; Office of Management and Budget.

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

a. The cyclical contribution to the surplus or deficit is negative when actual GDP is less than potential GDP.

b. "Other adjustments" to the total surplus or 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.

c. Projected.

**Table A-4.**

## History of the Standardized-Budget Surplus or Deficit and Related Series as a Percentage of Potential GDP

| | Total Budget Surplus or Deficit | - Cyclical Contribution[a] | = Cyclically Adjusted Surplus or Deficit | + Other Adjustments[b] | = Standardized Surplus or Deficit | Standardized | |
|---|---|---|---|---|---|---|---|
| | | | | | | 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 | -2.3 | 0.3 | -2.0 | 16.0 | 18.0 |
| 1967 | -1.1 | 1.5 | -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 | 0.1 | 18.5 | 18.4 |
| 1971 | -2.1 | -0.3 | -1.8 | 0.9 | -0.9 | 17.1 | 18.1 |
| 1972 | -2.0 | * | -1.9 | 0.2 | -1.7 | 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 | 0.1 | 17.7 | 17.6 |
| 1975 | -3.3 | -1.3 | -2.0 | 2.1 | 0.2 | 18.6 | 18.4 |
| 1976 | -4.1 | -1.3 | -2.8 | 0.8 | -2.0 | 17.2 | 19.3 |
| 1977 | -2.7 | -0.6 | -2.0 | 1.0 | -1.1 | 17.8 | 18.9 |
| 1978 | -2.7 | 0.1 | -2.8 | 1.3 | -1.5 | 17.6 | 19.1 |
| 1979 | -1.6 | 0.5 | -2.1 | 1.4 | -0.7 | 17.9 | 18.6 |
| 1980 | -2.7 | -0.7 | -1.9 | 1.6 | -0.4 | 18.8 | 19.2 |
| 1981 | -2.5 | -0.9 | -1.6 | 1.2 | -0.4 | 19.5 | 19.9 |
| 1982 | -3.7 | -2.0 | -1.7 | 0.7 | -1.1 | 19.2 | 20.3 |
| 1983 | -5.6 | -2.5 | -3.2 | 0.2 | -2.9 | 17.8 | 20.8 |
| 1984 | -4.7 | -0.8 | -3.9 | 0.3 | -3.6 | 17.2 | 20.7 |
| 1985 | -5.1 | -0.4 | -4.7 | 0.4 | -4.3 | 17.3 | 21.5 |
| 1986 | -5.0 | -0.2 | -4.8 | * | -4.8 | 16.8 | 21.6 |
| 1987 | -3.2 | -0.2 | -3.0 | -0.4 | -3.4 | 17.3 | 20.7 |
| 1988 | -3.1 | 0.2 | -3.3 | 0.7 | -2.5 | 17.4 | 19.9 |
| 1989 | -2.9 | 0.4 | -3.3 | 1.0 | -2.2 | 17.5 | 19.7 |

Continued

**Table A-4.**

## Continued

| | Total Budget Surplus or Deficit | - | Cyclical Contribution[a] | = | Cyclically Adjusted Surplus or Deficit | + | Other Adjustments[b] | = | Standardized Surplus or Deficit | Standardized Revenues | Standardized Outlays |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 1990 | -3.9 | | 0.2 | | -4.1 | | 1.9 | | -2.2 | 17.4 | 19.5 |
| 1991 | -4.4 | | -0.8 | | -3.7 | | 1.1 | | -2.5 | 17.5 | 20.1 |
| 1992 | -4.5 | | -0.9 | | -3.6 | | 0.6 | | -3.0 | 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 | | -0.3 | | -1.1 | | -0.1 | | -1.2 | 18.3 | 19.5 |
| 1997 | -0.3 | | 0.2 | | -0.5 | | -0.5 | | -1.0 | 18.4 | 19.4 |
| 1998 | 0.8 | | 0.5 | | 0.3 | | -0.8 | | -0.4 | 18.7 | 19.2 |
| 1999 | 1.4 | | 0.7 | | 0.7 | | -0.5 | | 0.1 | 18.7 | 18.6 |
| 2000 | 2.5 | | 0.9 | | 1.5 | | -0.4 | | 1.1 | 19.3 | 18.1 |
| 2001 | 1.3 | | 0.1 | | 1.2 | | -0.1 | | 1.1 | 19.0 | 17.9 |
| 2002 | -1.5 | | -0.7 | | -0.8 | | -0.4 | | -1.2 | 17.3 | 18.4 |
| 2003 | -3.4 | | -0.8 | | -2.6 | | -0.1 | | -2.7 | 16.1 | 18.8 |
| 2004 | -3.5 | | -0.4 | | -3.1 | | 0.4 | | -2.7 | 16.2 | 18.8 |
| 2005[c] | -2.7 | | -0.2 | | -2.5 | | 0.3 | | -2.1 | 17.0 | 19.2 |
| 2006[c] | -2.4 | | -0.2 | | -2.3 | | 0.1 | | -2.2 | 17.2 | 19.3 |

Sources: Congressional Budget Office; Department of the Treasury; Office of Management and Budget.

Note: * = less than 0.05 percent and greater than -0.05 percent.

a. The cyclical contribution to the surplus or deficit is negative when actual GDP is less than potential GDP.

b. "Other adjustments" to the total surplus or 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.

c. Projected.