CBO REPORT

The Standardized Budget and Other Adjusted Budget Measures

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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 in relation to the budget and the business cycle are federal fiscal years.

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The Standardized Budget and Other Adjusted Budget Measures

In March 2002, the Congressional Budget Office (CBO) released its latest baseline projections of federal revenues, outlays, surpluses, and deficits over the next 10 years, as well as estimates of the impact of the recent economic stimulus package on that baseline.[1] The budget surplus or deficit reflects temporary factors—such as the effects of the business cycle or of one-time shifts in the timing of federal spending and tax receipts—in addition to more-permanent effects of legislation. To help separate out those factors, this report presents estimates through fiscal year 2003 of two adjusted budget measures.[2] Those measures are the cyclically adjusted surplus or deficit and the standardized-budget surplus or deficit.

Calculating those measures shows that about two-fifths of the projected decline in the total surplus between 2000 and 2003 results from "automatic stabilizers"—the automatic response of the budget to the business cycle. The other three-fifths of that decline reflects legislative action, primarily the Economic Growth and Tax Relief Reconciliation Act of 2001 (EGTRRA), the Job Creation and Worker Assistance Act of 2002, and increases in discretionary spending (including emergency appropriations enacted in response to the terrorist attacks of September 11).

1. See Congressional Budget Office, *An Analysis of the President's Budgetary Proposals for Fiscal Year 2003* (March 2002).

2. This report is an updated and expanded version of Congressional Budget Office, *The Standardized Budget: Details of the Projections* (April 2001).

Why Adjust Measures of the Total Surplus or Deficit?

Although they have limitations, budget measures that exclude cyclical and other temporary factors are used in a number of ways. For example, policymakers may wish to know whether changes in the budget are caused by movements in the business cycle and thus are likely to prove temporary. In addition, some analysts use the cyclically adjusted or standardized budget to measure the degree of fiscal stimulus or restraint that is at work (apart from the automatic stabilizers)—especially the component that the government is currently providing. Fiscal stimulus means that fiscal policy is, on balance, adding to the growth of total demand for goods and services, whereas fiscal restraint means that fiscal policy is holding back the growth of demand (for example, by raising taxes or cutting spending). However, no simple measure can fully reflect the impact of fiscal policy on demand.

Changes in the budget surplus or deficit that occur automatically in response to movements in the business cycle are another important component of fiscal stimulus. The main such automatic stabilizer is the drop in tax revenues that results when wages and salaries, corporate profits, and other tax bases decline. Another stabilizer is the increase in spending for entitlement programs such as unemployment insurance, Food Stamps, and Medicaid that automatically occurs when unemployment rises. During a recession, those automatic stabilizers help sustain total demand and thus dampen the severity of the downturn. Policymakers may also consider making explicit policy changes to counter a recession, but the difficulty of recognizing a downturn and acting quickly means that such policies are likely to be poorly timed. (The fiscal stimulus from the EGTRRA tax cuts enacted in June 2001 was a clear exception.) Automatic stabilizers do not need policy action; they automatically occur on time—and when a recession ends, they automatically turn themselves off.

The Cyclically Adjusted Surplus or Deficit

Calculations of the cyclically adjusted budget attempt to remove the effects of the business cycle on revenues and outlays—that is, the automatic stabilizers that are measured by the cyclical part of the budget. For example, cyclically adjusted revenues exclude the revenue loss that automatically occurs during recessions.[3]

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3. Estimates of the cyclical component of revenues and outlays for 1998 through 2003 are presented in the appendix to this report. Those estimates differ from CBO's rule-of-thumb estimates of the effects of changes in economic assumptions, which appear in *The Budget and Economic Outlook: Fiscal Years 2003-2012* (January 2002), Appendix A. The rule-of-thumb estimates involve sustained changes in the

Likewise, cyclically adjusted outlays exclude the additional spending that follows from a rise in unemployment. The difference between those two measures is the cyclically adjusted surplus or deficit.

Between 2000 and 2003, CBO estimates, the cyclically adjusted budget will decline from a surplus of 1.6 percent of potential gross domestic product (GDP) to a deficit of 0.1 percent (see Table 1). That decline equals roughly three-fifths of the drop in the total budget surplus over that period, suggesting that the other two-fifths of the drop in the total surplus is attributable to the business cycle. The difference between the total and cyclically adjusted surplus was smaller in 2001 than in previous years and turned negative in 2002, reflecting the budgetary effects of the recent recession.

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 certain more-or-less-temporary factors that are likely to prove economically insignificant.[4] Three such factors are swings in collections of taxes on capital gains, changes in the inflation component of the government's net interest payments, and temporary legislative changes in the timing of revenues and outlays. Separate estimates for each of those factors appear in the appendix.

CBO removes capital gains tax receipts from the standardized budget because movements in those receipts broadly follow the business cycle—increases in capital gains generally indicate a strong economy—but they are not fully captured by the cyclical adjustments to revenues. Moreover, removing those tax receipts avoids the misleading effects that can arise, for example, when a cut in the tax rate on capital gains stimulates taxable capital gains realizations by enough

rate of growth and other economic variables, whereas the estimates in this report are based on temporary, cyclical fluctuations.

CBO's estimates of the cyclical component of revenues and outlays depend on the gap between actual gross domestic product (GDP) and potential GDP, which is the level of output consistent with stable inflation. Those estimates of the cyclical component, however, may not capture all of the movement in revenues and outlays that some analysts might view as cyclical. For example, different estimates of potential GDP would produce different estimates of the size of the cyclically adjusted surplus or deficit. For a discussion of the relationship between the cyclically adjusted budget and potential GDP, see Congressional Budget Office, *The Budget Adjusted for the Effects of the Business Cycle* (July 30, 1999).

4. See Congressional Budget Office, *The Standardized Budget: Revised Historical Estimates* (June 2000), and *The Budget and Economic Outlook: Fiscal Years 2003-2012* (January 2002), Appendix F, Tables F-11, F-12, and F-13.

Table 1.
Adjusted Measures of the Surplus or Deficit, 1998-2003

	Actual				Projected	
	1998	1999	2000	2001	2002	2003
Surplus or Deficit (-) in Billions of Dollars						
Total Budget Surplus	69	126	236	127	-46	-40
Less: Cyclical Surplus	34	53	85	33	-44	-33
Equals: Cyclically Adjusted Surplus	35	72	151	94	-2	-7
Less: Other Factors	60	61	31	33	84	34
Equals: Standardized-Budget Surplus	-25	12	120	60	-86	-41
Memorandum:						
Effects of Legislation Enacted Since January 2001	n.a.	n.a.	n.a.	-52	-177	-204
Automatic Stabilizers	34	53	85	33	-44	-33
Surplus or Deficit (-) as a Percentage of Potential GDP						
Total Budget Surplus	0.8	1.4	2.5	1.3	-0.4	-0.4
Less: Cyclical Surplus	0.4	0.6	0.9	0.3	-0.4	-0.3
Equals: Cyclically Adjusted Surplus	0.4	0.8	1.6	0.9	*	-0.1
Less: Other Factors	0.7	0.7	0.3	0.3	0.8	0.3
Equals: Standardized-Budget Surplus	-0.3	0.1	1.3	0.6	-0.8	-0.4
Memorandum:						
Effects of Legislation Enacted Since January 2001	n.a.	n.a.	n.a.	-0.5	-1.7	-1.8
Automatic Stabilizers	0.4	0.6	0.9	0.3	-0.4	-0.3
Annual Change in Surplus or Deficit as a Percentage of Potential GDP						
Total Budget Surplus	n.a.	0.6	1.1	-1.2	-1.7	0.1
Less: Cyclical Surplus	n.a.	0.2	0.3	-0.6	-0.8	0.1
Equals: Cyclically Adjusted Surplus	n.a.	0.4	0.8	-0.7	-1.0	*
Less: Other Factors	n.a.	*	-0.3	*	0.5	-0.5
Equals: Standardized-Budget Surplus	n.a.	0.4	1.1	-0.7	-1.4	0.4
Memorandum:						
Effects of Legislation Enacted Since January 2001	n.a.	n.a.	n.a.	-0.5	-1.2	-0.2
Automatic Stabilizers	n.a.	0.2	0.3	-0.6	-0.8	0.1

SOURCES: Congressional Budget Office; Joint Committee on Taxation; Office of Management and Budget.

NOTES: Unlike CBO's most recent baseline, these numbers include the estimated effects of the Job Creation and Worker Assistance Act of 2002 (also known as the economic stimulus package), which was enacted on March 9. That law is estimated to reduce the surplus by $51 billion in 2002 and $46 billion in 2003.

* = between -0.05 percent and 0.05 percent; n.a. = not applicable.

to increase the standardized-budget surplus, causing that measure to incorrectly indicate fiscal restraint.

The inflation component of net interest is removed because it primarily maintains the inflation-adjusted value of outstanding federal debt. Since it does not raise that value, it is likely to have little impact on total demand in the economy.

Legislation enacted by the Congress and the President sometimes temporarily shifts the timing of receipts or outlays (usually from the end of one fiscal year to the beginning of the next one). Those small timing shifts are excluded from the standardized budget because they are unlikely to alter significantly the timing of people's plans for investment or consumption.

In addition, the standardized budget excludes receipts from the government's sale of assets and from auctions of spectrum licenses as well as federal outlays for deposit insurance. The effects of asset sales and spectrum auctions are removed because those transactions are voluntary exchanges of existing assets that have no effect on private net worth and thus little economic impact (except on the businesses whose liquidity they adversely affect). CBO removes outlays for deposit insurance because the economic impact of those outlays occurred in earlier years, when various thrift institutions failed.[5]

The standardized-budget surplus is projected to decline by 1.7 percent of potential GDP between 2000 and 2003—the same change as in the cyclically adjusted surplus during that period (see Table 1). For both measures, the declines in 2001 and 2002 stem mainly from the revenue effects of the tax cuts enacted in those years and from additional discretionary spending (partly in response to the September 11 terrorist attacks). Because the standardized-budget surplus includes other adjustments, it shows a larger decline in 2002 than the cyclically adjusted surplus does and some increase in 2003. More details of the standardized-budget surplus and its components through 2003 are contained in the appendix.

The Effects of Recent Tax and Spending Legislation

The estimated effects of legislation enacted since January 2001 account for roughly three-fifths of the decline in the total budget surplus between 2000 and 2003—one-fifth more than the estimated effects of the business cycle over that

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

period. Recent legislation accounts for all of the decline in the cyclically adjusted and standardized-budget surpluses.

Legislation enacted since January 2001 lowered those surpluses by 0.5 percent of potential GDP in 2001, 1.7 percent in 2002, and 1.8 percent in 2003 (see Table 1). Almost all of that change results from EGTRRA, increased appropriations for discretionary programs, and the tax cuts and additional spending enacted last month in the Job Creation and Worker Assistance Act.

Measuring Budgetary Trends and Fiscal Stimulus

Some analysts use the annual change in a cyclically adjusted surplus (measured relative to potential GDP) as an indicator of the federal government's fiscal posture. When viewed that way, a decline in the cyclically adjusted or standardized-budget surplus indicates fiscal stimulus (a reduction in government saving that raises total demand). Other analysts use cyclically adjusted measures of the budget surplus over several years to discern the underlying trend in government saving and thus the government's contribution to longer-term movements in national saving. For both purposes, the cyclically adjusted and standardized-budget surpluses are probably better than the unadjusted surplus because they filter out changes that stem from the budgetary effects of the business cycle.

Although the cyclically adjusted and standardized surpluses show trends in federal saving, they only partially capture the ways in which fiscal policy affects demand and the economy. Other important influences include fiscal policy's effects on incentives for people to work and save and for businesses to invest. But those incentives (which also have supply-side implications) are not reflected at all in the measures shown in Table 1. Neither are the possible distortions of resource allocation that stem from federal decisions on taxes and spending.

Moreover, the adjusted budget measures give only a partial view of the effect of the budget on total demand. Changes in private saving may partly offset changes in government saving if some people think their future tax liabilities are affected by how much the government currently saves. Furthermore, those measures reflect the budget's bottom line rather than its underlying components of spending and revenues, although those components probably affect demand in different ways. For example, to the extent that tax cuts are saved, they have little effect on current consumption, whereas increases in spending on roads and bridges show up fully in demand. In a recent paper, CBO examined the fiscal stimulus that would result from several kinds of changes in taxes.[6] That analysis showed a wide range of short-term effects on demand from different policy actions, for reasons unrelated to their effect on the budget surplus (whether standardized or not).

In addition to those limitations, the cyclically adjusted and standardized surpluses do not take into account the difference between anticipated and unanticipated fiscal stimulus. Economists generally agree that, in theory, anticipated fiscal stimulus will have an impact before the stimulus is enacted, so failure to distinguish between the two kinds can overstate the current effect of anticipated fiscal stimulus (and understate its earlier effect).[7] However, it is not always clear how to separate anticipated from unanticipated changes in fiscal stimulus.

The government's current fiscal stimulus appears to be exceptional in both magnitude and timing. The decline in the standardized-budget surplus (relative to potential GDP) is much larger for 2001 and 2002 combined than it was for any other recession years since the 1960s, except for 1981, 1982, and 1983 combined.[8] (Historical estimates for the standardized budget are presented in the appendix in Tables A-5 and A-6.) Moreover, in contrast to most past recessions, when significant lags accompanied the adoption and implementation of fiscal stimulus, a major source of stimulus this time began in only the fourth month of the recession (July 2001) in the form of tax rebates.

As noted above, the change in the cyclically adjusted and standardized surpluses between 2000 and 2003 is completely explained by recent legislation. But usually, recent legislation tells only part of the story. The reason is that changes in those budget measures also reflect the effects of earlier legislation, some of whose provisions phase in over time. In addition, they include changes in receipts and outlays attributable to other factors that are not eliminated by removing the estimated effects of the business cycle. Those other factors include noncyclical movements in the proportion of taxable income going to people in the top tax bracket, in the size of various tax bases as a share of GDP, and in outlays for entitlement programs such as Medicare and Medicaid.

6. See Congressional Budget Office, *Economic Stimulus: Evaluating Proposed Changes in Tax Policy* (January 2002).

7. Several empirical studies find that, contrary to accepted theory, individual consumption rises when fully anticipated increases in after-tax income are realized. See, for example, Jonathan Parker, "The Reaction of Household Consumption to Predictable Changes in Social Security Taxes," *American Economic Review* (September 1999), pp. 959-973; and Nicholas Souleles, "The Response of Household Consumption to Income Tax Refund recent recessions s," *American Economic Review* (September 1999), pp. 947-958.

8. Measured by the decline in the cyclically adjusted surplus, fiscal stimulus in 2001 and 2002 combined is larger than in all recessions since the 1960s, including that of 1981-1983.

Automatic Stabilizers

Automatic stabilizers—the automatic responses of revenues and outlays to cyclical changes in income and unemployment—make up the cyclical part of the total surplus that is removed in calculating the cyclically adjusted and standardized surpluses. Changes in revenues form a much larger part of the automatic stabilizers than changes in outlays do, accounting for more than three-quarters of the cyclical change in the surplus, on average. As noted above, automatic stabilizers help counteract economic fluctuations without any change in tax or spending policies. For example, the fact that taxes automatically decline and outlays related to unemployment automatically rise during an economic downturn temporarily helps sustain consumer spending.[9] Those responses take effect immediately, even before signs of the downturn become evident to forecasters and policymakers.[10]

Although the automatic stimulus measured by the change in the cyclical surplus between 2000 and 2002 (1.3 percent of potential GDP) is less than the stimulus indicated by the changes in the cyclically adjusted and standardized surpluses, it is nevertheless significant. Thus, even without the recent tax cuts and emergency spending, there would still have been a sizable amount of fiscal stimulus. In most recession years, the stimulus from automatic stabilizers has been larger than the stimulus from new legislation and other budgetary changes. (The exception other than the recent recession is the one of 1981-1983, when a large stimulus was provided by the Economic Recovery Tax Act of 1981.)[11] Moreover, because automatic stabilizers depend on the business cycle, they are always stimulative during recession years, whereas legislation or other factors have often been restrictive during recession years, as indicated by past changes in the cyclically adjusted and standardized surpluses.

9. One way to understand how automatic stabilizers sustain consumer spending is to observe that many financial obligations of taxpayers, such as mortgage payments, do not decline when people lose their job. But people's federal tax liabilities decline (more than proportionately to their reduced income because of the progressive tax structure), and more people qualify for federal payments for unemployment insurance and other programs.

10. For theoretical and empirical discussions of automatic stabilizers, see Darrel Cohen and Glenn Follette, "The Automatic Fiscal Stabilizers: Quietly Doing Their Own Thing," *Economic Policy Review*, Federal Reserve Bank of New York, vol. 6, no. 1 (2000), pp. 35-68.

11. Between fiscal years 1980 and 1983, the increase in the cyclical part of the deficit—the automatic stabilizers—amounted to 1.7 percent of potential GDP, which was smaller than the increase in the standardized deficit (2.8 percent of potential GDP). However, the automatic stabilizers were stronger during that period than was the fiscal stimulus measured by the increase in the cyclically adjusted deficit (1.3 percent of potential GDP).

Appendix

Details of CBO's Projections of the Standardized Budget

In 2001, the budgetary changes that are measured by the standardized surplus tended to stimulate the growth of total demand. The standardized-budget surplus declined to 0.6 percent of potential gross domestic product (GDP) in 2001 from 1.3 percent the year before (see Table A-1). All of that decline can be attributed to a decrease in standardized-budget revenues, which fell from 19.3 percent of potential GDP to 18.6 percent. Most of that decline (0.5 percent of potential GDP) reflected the effects of the Economic Growth and Tax Relief Reconciliation Act of 2001 (not counting the $23 billion shift in corporate tax payments from September to October 2001). Movements in standardized-budget outlays in 2001 were small and tended to offset each other.

For the current fiscal year, the change in the standardized budget indicates substantially more fiscal stimulus than in 2001, reflected in a change from a surplus of 0.6 percent of potential GDP to a deficit of 0.8 percent. By contrast with last year, tax revenues account for only slightly more than half of this year's stimulus, and that contribution primarily reflects the Job Creation and Worker Assistance Act of 2002. The rest of the stimulus comes from increases in discretionary and mandatory spending, which amount to 0.4 percent and 0.3 percent of potential GDP, respectively (see Tables A-2 through A-4). In large part, those increases were caused by emergency appropriations enacted in the wake of the September 11 attacks and by additional spending for unemployed workers in the Job Creation and Worker Assistance Act. That additional spending is only slightly offset by a small decline in inflation-adjusted interest payments.

By contrast with the stimulus of 2001 and 2002, the standardized-budget projections suggest mild fiscal restraint next year. That restraint results from a projected decline in inflation-adjusted interest payments (from 1.1 percent of potential GDP to 0.9 percent). Other outlays are expected to remain essentially unchanged relative to potential GDP, while revenues creep up by 0.1 percent of potential GDP.

Table A-1.
The Standardized-Budget Surplus or Deficit, 1998-2003

	Actual				Projected	
	1998	1999	2000	2001	2002	2003
			In Billions of Dollars			
Surplus or Deficit (-)	-25	12	120	60	-86	-41
Revenues	1,606	1,677	1,832	1,870	1,871	1,978
Outlays	1,631	1,666	1,712	1,810	1,957	2,019
			As a Percentage of Potential GDP			
Surplus or Deficit (-)	-0.3	0.1	1.3	0.6	-0.8	-0.4
Revenues	18.8	18.7	19.3	18.6	17.8	17.9
Outlays	19.1	18.5	18.0	18.0	18.6	18.3

SOURCES: Congressional Budget Office; Department of the Treasury; Office of Management and Budget; Department of Commerce, Bureau of Economic Analysis.

NOTE: Unlike CBO's most recent baseline, these numbers include the estimated effects of the Job Creation and Worker Assistance Act of 2002 (also known as the economic stimulus package), which was enacted on March 9. That law is estimated to reduce the surplus by $51 billion in 2002 and $46 billion in 2003.

Table A-2.
Details of the Standardized-Budget Surplus or Deficit, 1998-2003
(In billions of dollars)

	Actual				Projected	
	1998	1999	2000	2001	2002	2003
Revenues						
Budget	1,722	1,827	2,025	1,991	1,963	2,046
Cyclical adjustments	-28	-46	-75	-29	28	26
Other adjustments	-88	-104	-118	-92	-121	-95
Standardized	1,606	1,677	1,832	1,870	1,871	1,978
Mandatory Spending (Minus offsetting receipts)						
Budget	859	900	951	1,008	1,111	1,152
Cyclical adjustments	7	7	10	4	-16	-6
Other adjustments	17	10	3	11	10	9
Standardized	883	918	964	1,023	1,105	1,154
Discretionary Spending						
Budget	552	572	615	649	731	761
Timing adjustment	0	0	-3	3	0	0
Standardized	552	572	612	652	731	761
Interest Payments						
Budget	241	230	223	206	168	173
Inflation adjustment	-45	-54	-88	-71	-47	-70
Standardized	196	176	135	135	121	103
Total Surplus or Deficit (-)						
Budget	69	126	236	127	-46	-40
Cyclical adjustments	-34	-53	-85	-33	44	33
Other adjustments[a]	-60	-61	-31	-33	-84	-34
Standardized	-25	12	120	60	-86	-41

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

NOTES: The cyclical adjustments to revenues are negative when actual GDP exceeds potential GDP. By contrast, the cyclical adjustments to mandatory spending are positive when the unemployment rate is less than the non-accelerating inflation rate of unemployment. The cyclical adjustments to the budget surplus or deficit equal the cyclical adjustments to revenues minus the cyclical adjustments to mandatory spending.

Unlike CBO's most recent baseline, these numbers include the estimated effects of the Job Creation and Worker Assistance Act of 2002 (also known as the economic stimulus package), which was enacted on March 9. That law is estimated to reduce the surplus by $51 billion in 2002 and $46 billion in 2003.

a. 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. Those adjustments are detailed in Table A-4.

Table A-3.
Details of the Standardized-Budget Surplus or Deficit, 1998-2003
(As a percentage of potential GDP)

	Actual				Projected	
	1998	1999	2000	2001	2002	2003
Revenues						
Budget	20.1	20.3	21.3	19.8	18.7	18.6
Cyclical adjustments	-0.3	-0.5	-0.8	-0.3	0.3	0.2
Other adjustments	-1.0	-1.2	-1.2	-0.9	-1.1	-0.9
Standardized	18.8	18.7	19.3	18.6	17.8	17.9
Mandatory Spending (Minus offsetting receipts)						
Budget	10.0	10.0	10.0	10.0	10.6	10.4
Cyclical adjustments	0.1	0.1	0.1	*	-0.2	-0.1
Other adjustments	0.2	0.1	*	0.1	0.1	0.1
Standardized	10.3	10.2	10.1	10.2	10.5	10.5
Discretionary Spending						
Budget	6.4	6.4	6.5	6.4	6.9	6.9
Timing adjustment	0	0	*	*	0	0
Standardized	6.4	6.4	6.4	6.5	6.9	6.9
Interest Payments						
Budget	2.8	2.6	2.3	2.0	1.6	1.6
Inflation adjustment	-0.5	-0.6	-0.9	-0.7	-0.4	-0.6
Standardized	2.3	2.0	1.4	1.3	1.1	0.9
Total Surplus or Deficit (-)						
Budget	0.8	1.4	2.5	1.3	-0.4	-0.4
Cyclical adjustments	-0.4	-0.6	-0.9	-0.3	0.4	0.3
Other adjustments[a]	-0.7	-0.7	-0.3	-0.3	-0.8	-0.3
Standardized	-0.3	0.1	1.3	0.6	-0.8	-0.4

SOURCES: Congressional Budget Office; Department of the Treasury; Office of Management and Budget; Department of Commerce, Bureau of Economic Analysis.

NOTES: The cyclical adjustments to revenues are negative when actual GDP exceeds potential GDP. By contrast, the cyclical adjustments to mandatory spending are positive when the unemployment rate is less than the non-accelerating inflation rate of unemployment. The cyclical adjustments to the budget surplus or deficit equal the cyclical adjustments to revenues minus the cyclical adjustments to mandatory spending.

Unlike CBO's most recent baseline, these numbers include the estimated effects of the Job Creation and Worker Assistance Act of 2002 (also known as the economic stimulus package), which was enacted on March 9. That law is estimated to reduce the surplus by $51 billion in 2002 and $46 billion in 2003.

* = between -0.05 percent and 0.05 percent.

a. 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. Those adjustments are detailed in Table A-4.

Table A-4.
Other Adjustments to the Standardized-Budget Surplus or Deficit, 1998-2003

	Actual				Projected	
	1998	1999	2000	2001	2002	2003
In Billions of Dollars						
Revenues						
Capital gains	-84	-99	-118	-115	-98	-95
Timing adjustment	4	-5	0	23	-23	0
Other	-8	0	0	0	0	0
Mandatory Spending						
Deposit insurance	-4	-5	-3	-1	*	-1
Asset sales	-10	-3	-5	-7	-6	-5
Spectrum auctions	-3	-2	*	-1	-1	-3
Timing adjustment	0	0	4	-1	-3	0
Discretionary Spending						
Timing adjustment	0	0	3	-3	0	0
Interest Payments						
Inflation adjustment	45	54	88	71	47	70
Total	-60	-61	-31	-33	-84	-34
As a Percentage of Potential GDP						
Revenues						
Capital gains	-1.0	-1.1	-1.2	-1.1	-0.9	-0.9
Timing adjustment	**	-0.1	0	0.2	-0.2	0
Other	-0.1	0	0	0	0	0
Mandatory Spending						
Deposit insurance	-0.1	-0.1	**	**	**	**
Asset sales	-0.1	**	**	-0.1	-0.1	**
Spectrum auctions	**	**	**	**	**	**
Timing adjustment	0	0	**	**	**	0
Discretionary Spending						
Timing adjustment	0	0	**	**	0	0
Interest Payments						
Inflation adjustment	0.5	0.6	0.9	0.7	0.4	0.6
Total	-0.7	-0.7	-0.3	-0.3	-0.8	-0.3

SOURCES: Congressional Budget Office; Department of the Treasury; Office of Management and Budget; Department of Commerce, Bureau of Economic Analysis.

NOTES: The adjustments to spending in this table have the opposite sign of the corresponding adjustments in Tables A-2 and A-3 because the adjustments in this table sum to show the total effect on the surplus or deficit.

Unlike CBO's most recent baseline, these numbers include the estimated effects of the Job Creation and Worker Assistance Act of 2002 (also known as the economic stimulus package), which was enacted on March 9. That law is estimated to reduce the surplus by $51 billion in 2002 and $46 billion in 2003.

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

Table A-5.
Standardized-Budget Surplus or Deficit and Related Series, 1960-2001
(In billions of dollars)

	Budget Surplus or Deficit (-)	Cyclical Adjustment[a]	Other Adjustments[b]	Standardized-Budget Surplus or Deficit (-)	Standardized-Budget Revenues	Standardized-Budget Outlays
1960	*	*	*	*	91	90
1961	-3	6	1	3	98	94
1962	-7	2	1	-4	99	104
1963	-5	1	-1	-4	105	110
1964	-6	-2	2	-6	109	115
1965	-1	-5	2	-4	110	115
1966	-4	-13	3	-14	116	130
1967	-9	-12	1	-20	133	153
1968	-25	-11	7	-29	141	171
1969	3	-14	1	-10	164	173
1970	-3	-6	1	-8	176	184
1971	-23	2	8	-12	185	197
1972	-23	*	5	-19	201	220
1973	-15	-14	9	-20	214	234
1974	-6	-10	17	1	250	249
1975	-53	20	31	-3	295	298
1976	-74	23	14	-36	308	344
1977	-54	12	22	-20	358	378
1978	-59	-3	31	-32	390	421
1979	-41	-12	38	-15	444	460
1980	-74	16	46	-12	519	532
1981	-79	25	40	-15	607	622
1982	-128	59	23	-46	652	698
1983	-208	83	8	-117	648	765
1984	-185	30	13	-143	672	815
1985	-212	16	20	-176	723	899
1986	-221	10	*	-211	749	960
1987	-150	10	-15	-154	812	966
1988	-155	-7	36	-127	870	997
1989	-152	-19	55	-116	938	1,054
1990	-221	-10	110	-120	991	1,112
1991	-269	46	73	-151	1,066	1,217
1992	-290	66	39	-185	1,124	1,309
1993	-255	58	14	-183	1,170	1,353
1994	-203	35	28	-141	1,251	1,392
1995	-164	20	6	-138	1,332	1,471
1996	-108	20	-5	-92	1,418	1,510
1997	-22	-9	-32	-63	1,501	1,564
1998	69	-34	-60	-25	1,606	1,631
1999	126	-53	-61	12	1,677	1,666
2000	236	-85	-31	120	1,832	1,712
2001	127	-33	-33	60	1,870	1,810

SOURCE: Congressional Budget Office.

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

a. The cyclical adjustment is positive when cyclical conditions are temporarily depressing GDP below its potential level and lowering revenues and raising outlays.

b. Consists of deposit insurance, receipts from auctions of licenses to use portions of the electromagnetic spectrum, timing adjustments, asset sales, adjustments for certain changes in the amount of taxes overwithheld, adjustments for temporary tax changes, the inflation component of federal interest payments, tax receipts from capital gains, and contributions from allied nations for Operation Desert Storm (which were received in 1991 and 1992).

Table A-6.
Standardized-Budget Surplus or Deficit and Related Series, 1960-2001
(As a percentage of potential GDP)

				Standardized-Budget		
	Budget Surplus or Deficit (-)	Cyclical Adjustment[a]	Other Adjustments[b]	Surplus or Deficit (-)	Revenues	Outlays
1960	0.1	-0.1	0.1	0.1	17.4	17.4
1961	-0.6	1.1	0.1	0.6	17.9	17.3
1962	-1.2	0.3	0.2	-0.7	17.3	18.0
1963	-0.8	0.2	-0.1	-0.7	17.4	18.1
1964	-0.9	-0.3	0.2	-1.0	17.1	18.1
1965	-0.2	-0.7	0.3	-0.6	16.4	17.0
1966	-0.5	-1.8	0.4	-1.9	16.1	18.0
1967	-1.1	-1.6	0.1	-2.6	17.1	19.7
1968	-3.0	-1.3	0.8	-3.5	16.8	20.3
1969	0.4	-1.5	0.1	-1.1	17.9	18.9
1970	-0.3	-0.6	0.1	-0.8	17.6	18.4
1971	-2.1	0.2	0.8	-1.1	17.0	18.1
1972	-2.0	*	0.4	-1.6	17.0	18.7
1973	-1.2	-1.1	0.7	-1.6	16.8	18.4
1974	-0.4	-0.7	1.2	0.1	17.7	17.6
1975	-3.3	1.2	1.9	-0.2	18.3	18.4
1976	-4.1	1.3	0.8	-2.0	17.3	19.3
1977	-2.7	0.6	1.1	-1.0	17.9	18.9
1978	-2.7	-0.1	1.4	-1.4	17.6	19.1
1979	-1.6	-0.5	1.5	-0.6	18.0	18.6
1980	-2.7	0.6	1.7	-0.4	18.7	19.2
1981	-2.5	0.8	1.3	-0.5	19.4	19.9
1982	-3.7	1.7	0.7	-1.3	19.0	20.3
1983	-5.6	2.3	0.2	-3.2	17.6	20.8
1984	-4.7	0.8	0.3	-3.6	17.1	20.7
1985	-5.1	0.4	0.5	-4.2	17.3	21.5
1986	-5.0	0.2	*	-4.8	16.9	21.7
1987	-3.2	0.2	-0.3	-3.3	17.3	20.6
1988	-3.1	-0.1	0.7	-2.5	17.4	19.9
1989	-2.9	-0.4	1.0	-2.2	17.5	19.7
1990	-3.9	-0.2	1.9	-2.1	17.4	19.5
1991	-4.4	0.7	1.2	-2.5	17.5	20.0
1992	-4.5	1.0	0.6	-2.9	17.5	20.4
1993	-3.8	0.9	0.2	-2.7	17.4	20.1
1994	-2.9	0.5	0.4	-2.0	17.8	19.8
1995	-2.2	0.3	0.1	-1.9	18.0	19.9
1996	-1.4	0.3	-0.1	-1.2	18.3	19.5
1997	-0.3	-0.1	-0.4	-0.8	18.4	19.1
1998	0.8	-0.4	-0.7	-0.3	18.8	19.1
1999	1.4	-0.6	-0.7	0.1	18.7	18.5
2000	2.5	-0.9	-0.3	1.3	19.3	18.0
2001	1.3	-0.3	-0.3	0.6	18.6	18.0

SOURCE: Congressional Budget Office.

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

a. The cyclical adjustment is positive when cyclical conditions are temporarily depressing GDP below its potential level and lowering revenues and raising outlays.

b. Consists of deposit insurance, receipts from auctions of licenses to use portions of the electromagnetic spectrum, timing adjustments, asset sales, adjustments for certain changes in the amount of taxes overwithheld, adjustments for temporary tax changes, the inflation component of federal interest payments, tax receipts from capital gains, and contributions from allied nations for Operation Desert Storm (which were received in 1991 and 1992).