A CBO REPORT

The Cyclically Adjusted and Standardized Budget Measures: Updated Estimates

September 2004

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* (September 2004).

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Summary

In September 2004, 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 assumed in its September baseline were to continue, the total budget deficit would grow to $422 billion in 2004 but then would decline to $348 billion in 2005.[2]

The size of 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, 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).

By CBO's calculations of those measures, the effects of the business cycle are estimated to account for roughly 11 percent of the total budget deficit in 2004 and only 3 percent in 2005. Those estimates of effects of the business cycle on the deficit show a steady decline from the recent highs of 42 percent in 2002 and 24 percent in 2003.

The cyclically adjusted budget deficit—the total budget deficit minus the effects of the business cycle—is projected to grow from 2.6 percent of potential gross domestic product (GDP) in 2003 to 3.2 percent in 2004 and then to decrease to 2.8 percent in 2005. The standardized deficit, by contrast, shows less year-to-year change in the forecast, moving from 2.8 percent in 2003 to 2.5 percent in 2004 and to 2.6 percent in 2005. (See Table 1.) CBO's projections of the cyclically adjusted and standardized budgets extend only through 2005 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 2005 would be very similar to CBO's baseline projections.

Why Adjust Measures of the Total Budget Surplus or Deficit?

Despite some limitations, both conceptual and empirical, budget measures that separate 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,

1. See Congressional Budget Office, *The Economic and Budget Outlook: An Update* (September 2004), Table 1-1.

2. The total budget includes the transactions of the Social Security trust funds and the Postal Service.

Table 1.

Measures of the Federal Budget Surplus or Deficit, 2000 to 2005

	Actual				Projected	
	2000	2001	2002	2003	2004	2005
	In Billions of Dollars					
Total Budget Surplus or Deficit	236	127	-158	-375	-422	-348
Minus: Cyclical Contribution	90	14	-67	-90	-47	-9
Equals: Cyclically Adjusted Surplus or Deficit	147	114	-90	-285	-374	-340
Plus: Other Adjustments[a]	-38	-7	-38	-25	81	22
Equals: Standardized-Budget Surplus or Deficit	110	106	-129	-310	-293	-318
	As a Percentage of Potential GDP					
Total Budget Surplus or Deficit	2.5	1.3	-1.5	-3.4	-3.6	-2.8
Minus: Cyclical Contribution	0.9	0.1	-0.6	-0.8	-0.4	-0.1
Equals: Cyclically Adjusted Surplus or Deficit	1.5	1.1	-0.9	-2.6	-3.2	-2.8
Plus: Other Adjustments[a]	-0.4	-0.1	-0.4	-0.2	0.7	0.2
Equals: Standardized-Budget Surplus or Deficit	1.2	1.1	-1.2	-2.8	-2.5	-2.6

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

a. Other adjustments include those 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 spectrum, and federal outlays for deposit insurance.

which are intended to 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, it 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 and therefore are not removed from the cyclically adjusted budget measure, because the linkage between those receipts and the business cycle is usually tenuous. Similarly, the measure does not adjust for certain explicit budgetary decisions that can produce temporary changes—sometimes of only a few days—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 run and thus may alter the prospects for economic growth in the longer run, particularly by changing incentives to work, save, and invest. (Frequently—as is 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 longer-term effects are intended.) Summary budget measures such as the cyclically adjusted and standardized-budget surplus or deficit are generally of limited use in

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.

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

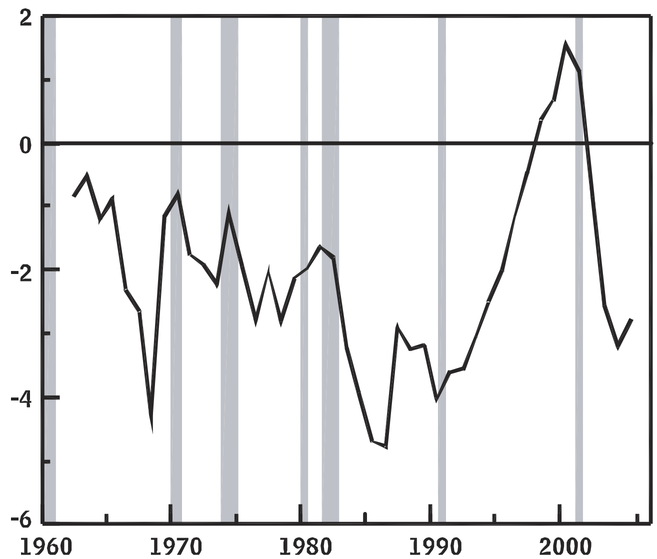
CBO's estimates of the cyclical component of revenues and outlays depend on the gap between actual GDP and potential GDP (the level of output consistent with stable inflation). Those estimates of the cyclical component, however, may not capture all of the movement in revenues and outlays that some analysts 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.[5]

CBO estimates that the cyclically adjusted deficit will increase from 2.6 percent of potential GDP in 2003 to 3.2 percent in 2004 and then decrease to 2.8 percent in

Figure 1.

The Cyclically Adjusted Surplus or Deficit

(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 2004 and 2005 are projected.

2005. Thus, the change this year is partly offset by the change next year, producing a small overall change between 2003 and 2005—an increase of 0.2 percent. (See Figure 1.)

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 2000, the cyclical contribution amounted to a surplus of 0.9 percent of potential GDP, which indicated that the economy was temporarily augmenting the total budget surplus. After registering a small surplus in 2001, however, that component became deficits of 0.6 percent of potential GDP in 2002 and 0.8 percent in 2003, which meant that the weak economy was then temporarily adding to the total budget deficit. As the forecast for the economy improves,

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. 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).

those cyclical deficits decline to 0.4 percent in 2004 and 0.1 percent in 2005.[6]

In its annual reports on the budget and the economy, CBO presents estimates of how the budget would respond to certain economic changes (or "rules of thumb").[7] The estimate of the cyclical contribution presented here differs from what would be obtained from using those 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 that are unlikely to affect real income significantly in the short run.[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 from auctions of licenses for the use of the spectrum, and federal outlays for deposit insurance.

A substantial discrepancy between tax payments and liabilities emerged in fiscal year 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 2003 were reflected in lower withholding rates for only about half of the calendar year, implying additional refunds or reductions in final settlements of roughly $40 billion in the spring of 2004.[9] Because those overpayments in fiscal year 2003 (and correspondingly higher refunds in 2004) are temporary, they should have 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 in the past) as if they affected only the timing of tax payments and not perceived real income. That adjustment removes the temporary overpayments from revenue totals for 2003 and reduces 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 the realization of 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. Because the component effectively adjusts the value of outstanding federal debt for the effects of inflation, it does not reflect an increase in real income.

6. CBO's estimate of the cyclical contribution to the budget deficits for 2003 through 2005 is roughly $20 billion larger now than previously reported because the estimated gaps between actual and potential GDP are now larger. CBO raised its estimate of potential total factor productivity (TFP) as a result of a reevaluation of the trend in TFP growth in light of newly revised data for output and capital stocks and a reassessment of the amount of slack currently in the economy. (Potential TFP, which is average real output per unit of combined labor and capital inputs, is used in calculating potential GDP.) Since the resulting increase in the estimated level of potential GDP is larger than the Bureau of Economic Analysis's upward revision to actual GDP for 2003, and larger than CBO's revision to the forecast for GDP for 2004 and 2005, the gaps between actual and potential GDP in those years have increased.

7. See Congressional Budget Office, *The Budget and Economic Outlook: Fiscal Years 2005 to 2014* (January 2004), Appendix B.

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

9. Individual income tax refunds this year were not as large as CBO had expected, but the reasons for that will remain unclear until individual income tax refunds for 2003 are fully processed later this year. CBO still estimates that the tax cuts substantially increased refunds in 2004, but it appears that other factors held down refunds. To the extent that the effect of the tax cuts on refunds was less than CBO estimated, the corresponding adjustment to the standardized budget would be overstated.

Legislation sometimes temporarily shifts the timing of receipts or outlays (usually from the end of one fiscal year to the beginning of the next one). 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, as well as federal outlays for deposit insurance. Those transactions are voluntary exchanges of existing assets that have little or no effect on private net worth or real income growth. 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).[10]

The standardized-budget deficit is projected to change less than the cyclically adjusted budget deficit in both 2004 and 2005. It moves from 2.8 percent of potential GDP in 2003 to 2.5 percent in 2004 and changes by a minimal amount in 2005. The difference between the two measures reflects the adjustments to the standardized deficit for factors other than the business cycle. During the 2003-2004 period, the adjustments for those factors change from -0.2 percent to 0.7 percent of potential GDP, largely because of adjustments for tax overpayments and subsequently large net refunds, as well as for the inflation component of interest payments. In 2005, such adjustments fall to 0.2 percent of potential GDP.

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

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

The standardized-budget deficit increased by 1.6 percent of potential gross domestic product (GDP) in 2003, following a very large increase of 2.3 percent of potential GDP in 2002 (see Tables A-1 through A-4). Most of the increase in 2003 was attributable to a decline in revenues, and roughly half of that decline resulted from the effects of the Jobs and Growth Tax Relief Reconciliation Act of 2003 (JGTRRA). (The effects of the Economic Growth and Tax Relief Reconciliation Act of 2001 and of the Job Creation and Worker Assistance Act of 2002 were roughly offsetting.) The rest of the increase in the standardized-budget deficit in 2003 resulted from increases in spending.

CBO estimates that the standardized-budget deficit will decline somewhat relative to potential GDP in 2004 and then change very little in 2005. In fiscal year 2004, standardized revenues rise somewhat (from 16.0 percent to 16.3 percent of potential GDP), while standardized outlays do not. In 2005, the rise in standardized outlays (from 18.8 percent to 19.2 percent of potential GDP) is slightly larger than the rise in standardized revenues (from 16.3 percent to 16.6 percent of potential GDP), but the difference is negligible.

The movement of the standardized budget differs from that of the cyclically adjusted budget in 2004 and 2005. The discrepancy largely results from two adjustments to the standardized budget. On the revenue side, it mainly reflects adjustments for tax overpayments in 2003 and related tax refunds in 2004 stemming from changes in withholding rates that did not fully reflect the decrease in 2003 tax liabilities caused by JGTRRA. That adjustment shifts $40 billion of standardized revenues from 2003 to 2004. On the outlay side, the discrepancy mostly reflects the adjustment to standardized outlays for the inflation component of federal interest payments. That adjustment reduces standardized outlays by $94 billion in 2004 and $73 billion in 2005, compared to $62 billion in 2003.

Table A-1.

Details of the Standardized-Budget Surplus or Deficit, 2000 to 2005

(Billions of dollars)

	Actual				Projected	
	2000	2001	2002	2003	2004	2005
Revenues						
Budget	2,025	1,991	1,853	1,782	1,871	2,094
Minus: Cyclical contribution	80	9	-56	-82	-46	-9
Equals: Cyclically adjusted	1,946	1,982	1,909	1,864	1,917	2,103
Plus: Other adjustments	-119	-77	-81	-81	-6	-58
Equals: Standardized	1,826	1,905	1,828	1,784	1,911	2,045
Mandatory Spending Less Offsetting Receipts						
Budget	951	1,008	1,106	1,179	1,247	1,299
Minus: Cyclical contribution	-10	-4	11	8	2	-1
Equals: Cyclically adjusted	961	1,012	1,094	1,171	1,245	1,300
Plus: Other adjustments	3	11	9	6	7	-3
Equals: Standardized	964	1,023	1,104	1,178	1,252	1,296
Discretionary Spending						
Budget	615	649	734	825	888	965
Plus: Timing adjustment	-3	3	0	0	0	-4
Equals: Standardized	612	652	734	825	888	961
Interest Payments						
Budget	223	206	171	153	159	178
Plus: Inflation adjustment	-82	-83	-52	-62	-94	-73
Equals: Standardized	141	123	118	91	65	106
Total Surplus or Deficit						
Budget	236	127	-158	-375	-422	-348
Minus: Cyclical contribution	90	14	-67	-90	-47	-9
Equals: Cyclically adjusted	147	114	-90	-285	-374	-340
Plus: Other adjustments[a]	-38	-7	-38	-25	81	22
Equals: Standardized	110	106	-129	-310	-293	-318

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.

No cyclical adjustment is estimated for discretionary spending or interest payments.

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.

Table A-2.

Details of the Standardized-Budget Surplus or Deficit, 2000 to 2005

(Percentage of potential GDP)

	Actual				Projected	
	2000	2001	2002	2003	2004	2005
Revenues						
Budget	21.4	19.8	17.5	16.0	16.0	17.0
Minus: Cyclical contribution	0.8	0.1	-0.5	-0.7	-0.4	-0.1
Equals: Cyclically adjusted	20.5	19.7	18.0	16.7	16.4	17.1
Plus: Other adjustments	-1.3	-0.8	-0.8	-0.7	-0.1	-0.5
Equals: Standardized	19.3	19.0	17.3	16.0	16.3	16.6
Mandatory Spending Less Offsetting Receipts						
Budget	10.0	10.0	10.4	10.6	10.6	10.5
Minus: Cyclical contribution	-0.1	*	0.1	0.1	*	*
Equals: Cyclically adjusted	10.1	10.1	10.3	10.5	10.6	10.5
Plus: Other adjustments	*	0.1	0.1	0.1	0.1	*
Equals: Standardized	10.2	10.2	10.4	10.6	10.7	10.5
Discretionary Spending						
Budget	6.5	6.5	6.9	7.4	7.6	7.8
Plus: Timing adjustment	*	0	*	*	*	0
Equals: Standardized	6.5	6.5	6.9	7.4	7.6	7.8
Interest Payments						
Budget	2.4	2.1	1.6	1.4	1.4	1.4
Plus: Inflation adjustment	-0.9	-0.8	-0.5	-0.6	-0.8	-0.6
Equals: Standardized	1.5	1.2	1.1	0.8	0.6	0.9
Total Surplus or Deficit						
Budget	2.5	1.3	-1.5	-3.4	-3.6	-2.8
Minus: Cyclical contribution	0.9	0.1	-0.6	-0.8	-0.4	-0.1
Equals: Cyclically adjusted	1.5	1.1	-0.9	-2.6	-3.2	-2.8
Plus: Other adjustments[a]	-0.4	-0.1	-0.4	-0.2	0.7	0.2
Equals: Standardized	1.2	1.1	-1.2	-2.8	-2.5	-2.6

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 -0.05 percent and 0.05 percent.

No cyclical adjustment is estimated for discretionary spending or interest payments.

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.

Table A-3.

The Standardized-Budget Surplus or Deficit and Related Series, 1962 to 2005

(Billions of dollars)

	Total Budget Surplus or Deficit	-	Cyclical Contribution	=	Cyclically Adjusted Surplus or Deficit	+	Other Adjustments[a]	=	Standardized Surplus or Deficit	Standardized Revenues	Standardized Outlays
1962	-7		-2		-5		1		-4	99	104
1963	-5		-2		-3		0		-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		-10		8		-2	171	173
1970	-3		5		-8		10		2	186	184
1971	-23		-4		-19		9		-10	187	197
1972	-23		-1		-23		2		-20	199	220
1973	-15		13		-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		-40		20		-21	358	379
1978	-59		3		-62		29		-33	389	422
1979	-41		12		-53		35		-17	443	460
1980	-74		-19		-55		43		-11	521	532
1981	-79		-28		-51		38		-13	610	623
1982	-128		-66		-62		23		-39	659	699
1983	-208		-90		-118		7		-111	656	766
1984	-185		-31		-154		12		-142	675	816
1985	-212		-16		-196		17		-179	723	902
1986	-221		-10		-211		-1		-212	746	958
1987	-150		-13		-137		-20		-157	815	972
1988	-155		7		-162		37		-126	869	995
1989	-152		18		-171		55		-116	939	1,055

Continued

Table A-3.

Continued

	Total Budget Surplus or Deficit	-	Cyclical Contribution	=	Cyclically Adjusted Surplus or Deficit	+	Other Adjustments[a]	=	Standardized Surplus or Deficit	Standardized Revenues	Standardized Outlays
1990	-221		8		-229		109		-120	993	1,113
1991	-269		-50		-220		70		-150	1,070	1,220
1992	-290		-63		-227		41		-187	1,126	1,313
1993	-255		-52		-203		11		-192	1,167	1,359
1994	-203		-27		-176		30		-146	1,245	1,391
1995	-164		-16		-148		*		-148	1,329	1,477
1996	-107		-18		-90		-6		-95	1,415	1,511
1997	-22		16		-38		-44		-82	1,495	1,576
1998	69		39		30		-67		-36	1,598	1,634
1999	126		65		61		-57		3	1,665	1,662
2000	236		90		147		-38		109	1,826	1,717
2001	127		14		114		-7		106	1,905	1,799
2002	-158		-68		-90		-38		-128	1,828	1,956
2003	-375		-90		-285		-25		-310	1,784	2,094
2004	-422		-47		-374		81		-293	1,911	2,205
2005	-348		-9		-340		22		-318	2,045	2,363

Source: Congressional Budget Office.

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

The total budget balance is negative when total outlays exceed total revenues. The cyclical contribution is negative when economic conditions are temporarily increasing the total budget deficit or reducing the total budget surplus. The cyclically adjusted "surplus" is negative when cyclically adjusted revenues fall short of cyclically adjusted outlays.

a. Other adjustments include those 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 spectrum, federal outlays for deposit insurance, and contributions from allied nations for Operation Desert Storm (which were received in 1991 and 1992).

Table A-4.

The Standardized-Budget Surplus or Deficit and Related Series, 1962 to 2005

(Percentage of potential GDP)

	Total Budget Surplus or Deficit	-	Cyclical Contribution	=	Cyclically Adjusted Surplus or Deficit	+	Other Adjustments[a]	=	Standardized Surplus or Deficit	Standardized Revenues	Standardized Outlays
1962	-1.2		-0.4		-0.9		0.1		-0.8	17.3	18.0
1963	-0.8		-0.3		-0.5		-0.1		-0.6	17.6	18.1
1964	-0.9		0.3		-1.2		0.2		-1.0	17.1	18.1
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		1.6		-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		-1.1		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		-0.1		-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	19.2
1977	-2.7		-0.7		-2.0		1.0		-1.0	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		-2.0		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		-1.9		-1.8		0.7		-1.1	19.2	20.4
1983	-5.6		-2.4		-3.2		0.2		-3.0	17.8	20.8
1984	-4.7		-0.8		-3.9		0.3		-3.6	17.1	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		-0.3		-2.9		-0.4		-3.3	17.4	20.7
1988	-3.1		0.1		-3.2		0.7		-2.5	17.4	19.9
1989	-2.8		0.3		-3.2		1.0		-2.2	17.5	19.7
1990	-3.9		0.1		-4.0		1.9		-2.1	17.4	19.5
1991	-4.4		-0.8		-3.6		1.1		-2.5	17.6	20.0
1992	-4.5		-1.0		-3.5		0.6		-2.9	17.6	20.5
1993	-3.8		-0.8		-3		0.2		-2.9	17.4	20.3
1994	-2.9		-0.4		-2.5		0.4		-2.1	17.7	19.8

Continued

Table A-4.

Continued

	Total Budget Surplus or Deficit	-	Cyclical Contribution	=	Cyclically Adjusted Surplus or Deficit	+	Other Adjustments[a]	=	Standardized Surplus or Deficit	Standardized Revenues	Standardized Outlays
1995	-2.2		-0.2		-2.0		*		-2.0	18.0	20.0
1996	-1.4		-0.2		-1.2		-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		0.4		-0.8		-0.4	18.7	19.2
1999	1.4		0.7		0.7		-0.6		*	18.6	18.6
2000	2.5		0.9		1.5		-0.4		1.2	19.3	18.1
2001	1.3		0.1		1.1		-0.1		1.1	19.0	17.9
2002	-1.5		-0.6		-0.9		-0.4		-1.2	17.3	18.5
2003	-3.4		-0.8		-2.6		-0.2		-2.8	16.0	18.8
2004	-3.6		-0.4		-3.2		0.7		-2.5	16.3	18.8
2005	-2.8		-0.1		-2.8		0.2		-2.6	16.6	19.2

Source: Congressional Budget Office.

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

The total budget balance is negative when total outlays exceed total revenues. The cyclical contribution is negative when economic conditions are temporarily increasing the total budget deficit or reducing the total budget surplus. The cyclically adjusted "surplus" is negative when cyclically adjusted revenues fall short of cyclically adjusted outlays.

a. Other adjustments include those 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 spectrum, federal outlays for deposit insurance, and contributions from allied nations for Operation Desert Storm (which were received in 1991 and 1992).