CBO REPORT

The Standardized and Cyclically Adjusted Budgets

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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.

Contents

Tables

The Standardized and Cyclically Adjusted Budgets

In January 2003, the Congressional Budget Office (CBO) released its baseline projections of federal revenues, outlays, surpluses, and deficits for the next 10 years.[1] The total budget surplus of $236 billion recorded in 2000 had become a deficit of $158 billion in 2002.[2] According to CBO's January projections, if the policies assumed in that report were to continue, the deficit would grow to $199 billion in 2003 before falling somewhat to $145 billion in 2004. (Since then, CBO has raised its estimates of the total budget deficit by $47 billion for 2003 and by $55 billion for 2004. However, this analysis is based on the January estimates.)

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, as well as the longer-lasting impact of factors such as tax and spending legislation and changes in the trend growth rate of the economy. To help separate out those factors, this report presents estimates of two adjusted budget measures. Those measures are the cyclically adjusted surplus or deficit (which filters out the effects of the business cycle) and the standardized-budget surplus or deficit (which removes other factors as well as 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 one-third of the decline in the total budget surplus between 2000 and 2003. Roughly half of the total drop can be attributed to recent legislative actions—primarily enactment of the Economic Growth and Tax Relief Reconciliation Act of 2001 (EGTRRA) and the Job Creation and Worker Assistance Act of 2002 (JCWAA), together with increases in discretionary spending. The decline in the budget deficit projected for 2004 stems mainly from the growth of revenues. That projected growth reflects some cyclical improvement and a rise in

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1. See Congressional Budget Office, *The Budget and Economic Outlook: Fiscal Years 2004-2013* (January 2003).

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

effective tax rates attributable to a combination of "bracket creep," an increase in taxable income as a share of gross domestic product (GDP), and the expiration of certain corporate income tax provisions enacted in JCWAA.[3]

The calculations in this analysis rest on the assumptions used in CBO's economic and budget projections as published in January 2003. They do not reflect any updates to those projections, nor do they include the effect of the President's budgetary proposals for 2004.

Why Adjust Measures of the Total 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 imparting a positive or negative impulse to the growth of real (inflation-adjusted) income in the short run. More generally, those measures provide estimates of the extent to which changes in the budget are caused by normal 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* shows the underlying outcome of the federal budget when those automatic movements are removed. (The cyclical deficit—the difference between the total budget deficit and the cyclically adjusted deficit—is often viewed as a measure of the so-called *automatic stabilizers*, which help to sustain the growth of real income through automatic changes in revenues and outlays.)

Policy actions by the Congress and the President, such as legislated tax cuts or increases in spending during recessions, also affect budgetary outcomes. Those actions create changes in the total budget surplus or deficit that are separate from the automatic cyclical movements. The cyclically adjusted surplus or deficit includes the effects of those legislated changes.

It also reflects other factors, not directly connected with changes in policy, that alter revenues or spending. For example, as has happened in recent years, declines

3. Real (inflation-adjusted) bracket creep is the process by which the overall growth of real income pushes more income into higher tax brackets—because the brackets are indexed only for inflation.

in the stock market can cause revenue shortfalls because receipts from capital gains taxes fall. (Movements in capital gains tax receipts are not treated as cyclical, and thus are not removed from the cyclically adjusted budget measure, because the linkage between those receipts and the business cycle is usually tenuous.) Similarly, explicit budgetary decisions can produce temporary changes—sometimes of only a few days—in the timing of tax receipts or government spending; but such actions can be viewed more as accounting decisions than as changes in policy.

CBO calculates another measure, the *standardized-budget surplus or deficit*, that attempts to adjust for those factors as well as for the effects of the business cycle. To calculate that measure, CBO must judge whether each factor is likely to have a significant effect on the growth of real income in the short run. As a result, the standardized-budget surplus or deficit is the more speculative of the two measures presented here.

Although the standardized-budget measure considers only short-run effects on real income, federal taxes and spending can affect the economy in many ways and may alter the prospects for economic growth in the longer run by changing incentives to work, save, and invest. (Frequently—as in the case of EGTRRA's enactment—both short- and longer-term effects are intended.) Summary budget measures such as the cyclically adjusted and standardized budgets are generally of limited use in identifying the economic effects of changes in incentives.[4] CBO's estimates of those impacts are incorporated in its economic forecasts.[5]

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.[6] Likewise, cyclically adjusted outlays exclude

4. The supply-side effects on work and investment are generally thought to be smaller in the short run than in the long run. In the end, however, the impact of changes in taxes and spending on the supply of labor and capital will largely depend on how those changes are financed. In general, if a tax cut is ultimately financed by reducing federal spending, its supply-side effects will be enhanced in the long run. But if current tax cuts are financed by raising marginal tax rates in the future, adverse supply-side effects could result in the long run.

5. For a description of the long-term macroeconomic effects of EGTRRA, see Congressional Budget Office, *The Budget and Economic Outlook: An Update* (August 2001), Box 2-3, pp. 34-35.

6. Estimates of the cyclical component of revenues and outlays for 1999 through 2004 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 Appendix C of CBO's *The Budget and Economic Outlook: Fiscal Years 2004-2013*. The rule-of-thumb estimates attempt to capture sustained changes in

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

The calculation of the cyclically adjusted budget could be refined to adjust for other factors as well. For example, shifts in capital gains tax revenues that arise from economic fluctuations could be removed, although that calculation is complicated by the difficulty of separating the cyclical and legislative components of changes in capital gains realizations. Factors such as legislated shifts in the timing of outlays or tax payments are usually not considered cyclical but could also be removed from a cyclically adjusted measure. Such factors are taken into account in CBO's standardized-budget measure.

Between 2000 and 2003, CBO estimates, the cyclically adjusted budget balance will move from a surplus of 1.5 percent of potential GDP to a deficit of 1.4 percent (see Table 1 on pages 6 and 7). That decline accounts for roughly two-thirds of the change in the total budget balance from the surplus of $236 billion recorded for 2000 to the deficit of $199 billion projected in January for 2003. The remaining one-third of that drop is attributable to the business cycle.

In sum, the cyclical surplus—the difference between the total budget surplus and the cyclically adjusted surplus—was 1.0 percent of potential GDP in 2000. Since then, that measure has moved steadily into the red. The cyclical deficit is expected to reach 0.5 percent of potential GDP this year and then shrink a bit between 2003 and 2004.

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 unlikely to have significant effects on real income in the short run.[7] Those factors include unusually large dis-

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the rate of growth of GDP 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 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 Effects of the Business Cycle* (July 30, 1999).

7. See Congressional Budget Office, *The Standardized Budget: Revised Historical Estimates* (June 2000), and *The Budget and Economic Outlook: Fiscal Years 2004-2013,* Tables F-11, F-12, and F-13.

crepancies between tax payments and liabilities, swings in collections of capital gains taxes, changes in the inflation component of the government's net interest payments, and temporary legislative changes in the timing of revenues and outlays.

A substantial discrepancy between tax payments and liabilities emerged in 2001, when taxpayers did not sufficiently reduce their estimated and withheld tax payments even though their tax liabilities had declined because of such factors as stock market losses and smaller-than-expected year-end bonuses. CBO estimates that those temporary tax overpayments in 2001 (and the corresponding increase in refunds in 2002) totaled about $25 billion for individuals.[8] Because those overpayments are temporary, they should have little impact on people's perceptions of their income, especially for individuals whose financial liquidity is not constraining their actions —a group that accounts for perhaps 70 percent of total consumption.[9] For that reason, in calculating the standardized budget, CBO treated 70 percent of those overpayments (and 70 percent of 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 most of the temporary overpayments from revenue totals for 2001 and reduces refunds in 2002 by the same amount.

CBO removes capital gains tax receipts from the standardized budget for two reasons. First, although such receipts probably move up and down as a result of business-cycle effects, those movements are not captured by the cyclical adjustments to revenues. Second, 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. That rise in revenues causes the standardized-budget measure to indicate—incorrectly—that a tax cut implies budgetary restraint on the growth of real income in the short term.

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 and does not increase real income.

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 significantly alter people's perception of their real income.

8. See Congressional Budget Office, *The Budget and Economic Outlook: An Update* (August 2002), p. 15.

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

Table 1.
Adjusted Measures of the Surplus or Deficit, 1999-2004

	Actual				Projected	
	1999	2000	2001	2002	2003	2004
Surplus or Deficit (-) in Billions of Dollars						
Total Budget Surplus[a]	126	236	127	-158	-199	-145
Less: Cyclical Surplus	70	99	19	-40	-50	-32
Equals: Cyclically Adjusted Surplus[a]	56	138	108	-117	-149	-113
Less: Other Factors[b]	59	38	27	35	-3	-13
Equals: Standardized-Budget Surplus[a]	-3	99	80	-153	-146	-100
Memorandum:						
Effects of Legislation Enacted Since January 2001 (Minus timing shifts)[c]	**	**	-52	-183	-251	-261
EGTRRA	**	**	-41	-71	-91	-101
JCWAA	**	**	**	-51	-43	-29
Defense	**	**	-1	-38	-52	-55
Other legislation	**	**	-10	-23	-66	-76
Surplus or Deficit (-) as a Percentage of Potential GDP						
Total Budget Surplus	1.4	2.5	1.3	-1.5	-1.8	-1.3
Less: Cyclical Surplus	0.8	1.0	0.2	-0.4	-0.5	-0.3
Equals: Cyclically Adjusted Surplus	0.6	1.5	1.1	-1.1	-1.4	-1.0
Less: Other Factors[b]	0.7	0.4	0.3	0.3	*	-0.1
Equals: Standardized-Budget Surplus	*	1.1	0.8	-1.5	-1.3	-0.9
Memorandum:						
Effects of Legislation Enacted Since January 2001 (Minus timing shifts)[c]	**	**	-0.5	-1.8	-2.3	-2.3
EGTRRA	**	**	-0.4	-0.6	-0.8	-0.9
JCWAA	**	**	**	-0.5	-0.4	-0.3
Defense	**	**	*	-0.4	-0.4	-0.5
Other legislation	**	**	-0.1	-0.2	-0.6	-0.7

(Continued)

In addition, the standardized budget 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. The effects of asset sales and spectrum auctions are removed because those transactions are voluntary exchanges of existing assets that have little or no effect on private net worth or real income growth. 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]

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

Table 1.
Continued

	Actual				Projected	
	1999	2000	2001	2002	2003	2004
Annual Change in the Surplus or Deficit as a Percentage of Potential GDP						
Total Budget Surplus	**	1.1	-1.2	-2.8	-0.3	0.6
Less: Cyclical Surplus	**	0.3	-0.9	-0.6	-0.1	0.2
Equals: Cyclically Adjusted Surplus	**	0.8	-0.4	-2.2	-0.2	0.4
Less: Other Factors[b]	**	-0.3	-0.1	0.1	-0.4	-0.1
Equals: Standardized-Budget Surplus	**	1.1	-0.3	-2.3	0.1	0.5
Memorandum:						
Effects of Legislation Enacted Since January 2001 (Minus timing shifts)[c]	**	**	-0.5	-1.2	-0.5	*
EGTRRA	**	**	-0.4	-0.3	-0.2	-0.1
JCWAA	**	**	**	-0.5	0.1	0.1
Defense	**	**	*	-0.4	-0.1	*
Other legislation	**	**	-0.1	-0.1	-0.4	-0.1

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

NOTE: EGTRRA = Economic Growth and Tax Relief Reconciliation Act of 2001; JCWAA = Job Creation and Worker Assistance Act of 2002; * = between -0.05 percent and 0.05 percent; ** = not applicable.

a. The revisions to CBO's baseline budget projections since January would increase these deficits by $47 billion in 2003 and by $55 billion in 2004.

b. Other factors include adjustments 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 spectrum licenses, as well as federal outlays for deposit insurance.

c. Excludes a $33 billion shift in corporate tax payments from 2001 to 2002 and a $7 billion shift from 2004 to 2005 enacted in EGTRRA.

The standardized-budget surplus is projected to decline by a total of 2.4 percent of potential GDP between 2000 and 2003—somewhat less than the decline in the cyclically adjusted surplus over the same period (see Table 1). For both measures, the declines stem mainly from the effects on revenues of the tax cuts enacted during those years and from additional discretionary spending. Because the other adjustments to the standardized budget become much smaller in 2003, the difference between that measure and the cyclically adjusted budget also diminishes. (See the appendix for more details of the standardized-budget surplus and its components through 2004.)

The Effects of Recent Tax and Spending Legislation

The estimated effects of legislation enacted since January 2001 account for roughly half of the projected decline in the total budget surplus between 2000 and 2003. (By comparison, roughly one-third of the drop is attributable to the estimated effects of the business cycle over that period.) Although CBO projects that the effects of legislation since January 2001 will increase the total budget deficit somewhat in 2004, those effects will be more than offset by the impact of the business cycle and by factors that raise effective tax rates (and thus revenues).

Legislation accounts for most of the decline in the cyclically adjusted and standardized-budget surpluses. Laws enacted since January 2001 have lowered those surpluses by 0.5 percent of potential GDP for 2001, 1.8 percent for 2002, and 2.3 percent for both 2003 and 2004 (see Table 1). Most of those changes stem from the effects of EGTRRA, from higher appropriations for defense, and from the tax cuts and additional spending enacted in JCWAA.

Appendix

Details of CBO's Projections of the Standardized Budget

Following a decline in the standardized-budget surplus in 2001 of 0.3 percent of potential gross domestic product (GDP), the standardized budget registered a record shift in 2002—from a surplus of 0.8 percent of potential GDP the year before to a deficit of 1.5 percent (see Table A-1). That shift was the largest single-year decline in the standardized-budget surplus, surpassing the previous large declines of 2.0 percent of potential GDP in 1976 and 1.9 percent in1983.[1] Revenues accounted for more than half of the drop, with recent legislation responsible for about half of the revenue decline and the rest attributable to a decline in the federal effective tax rate that is not captured by the cyclical and other adjustments used to calculate standardized-budget revenues.

The remainder of the decline in the standardized-budget surplus in 2002 came from increases in discretionary and mandatory spending, which amounted to 0.5 percent and 0.4 percent of potential GDP, respectively (see Tables A-2 and A-3). In large part, those increases were caused by emergency appropriations enacted in the wake of the September 11 terrorist attacks and by additional spending for unemployed workers provided in the Job Creation and Worker Assistance Act.

In contrast to the increases in the standardized-budget deficit in 2001 and 2002, CBO's January 2003 projections suggest some movement toward a smaller deficit this year and next. In 2003, that change in direction in the projections mainly results from an estimated decline (from 1.3 percent of potential GDP to 0.9 percent) in inflation-adjusted interest payments and some increase in standardized-budget revenues (as a percentage of potential GDP) that does not show up in the rounded numbers. Those changes more than offset increases in mandatory and discretionary outlays.

1. The reduction in standardized-budget revenues (1.4 percent of potential GDP) equaled the decline of 1.4 percent registered in 1983 as a result of the Economic Recovery Tax Act of 1981 and exceeded the 1976 decline of 1.2 percent of potential GDP that resulted from the Tax Reduction Act of 1975.

In 2004, the standardized-budget deficit under CBO's January assumptions is expected to shrink from 1.3 percent of potential GDP to 0.9 percent. Most of that projected decline is due to an increase in revenues, although there are also slight declines (as a share of potential GDP) in discretionary outlays and inflation-adjusted interest payments. The increase in standardized-budget revenues comes from both personal and corporate income tax receipts.

Table A-1.
The Standardized-Budget Surplus or Deficit, 1999-2004

	Actual				Projected	
	1999	2000	2001	2002	2003	2004
In Billions of Dollars						
Standardized-Budget						
Surplus or deficit (-)[a]	-3	99	80	-153	-146	-100
Revenues	1,661	1,817	1,883	1,820	1,913	2,033
Outlays	1,664	1,717	1,803	1,973	2,060	2,133
As a Percentage of Potential GDP						
Standardized-Budget						
Surplus or deficit (-)	*	1.1	0.8	-1.5	-1.3	-0.9
Revenues	18.6	19.2	18.8	17.5	17.5	17.8
Outlays	18.6	18.2	18.0	18.9	18.9	18.7

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

NOTE: * = between -0.05 percent and zero.

a. The revisions to CBO's baseline budget projections since January would increase the standardized-budget deficit by $47 billion in 2003 and by $55 billion in 2004.

Table A-2.
Details of the Standardized-Budget Surplus or Deficit, 1999-2004
(In billions of dollars)

	Actual				Projected	
	1999	2000	2001	2002	2003	2004
Revenues						
Budget	1,827	2,025	1,991	1,853	1,922	2,054
Cyclical adjustments	-63	-90	-16	28	43	29
Other adjustments	-104	-119	-92	-61	-51	-50
Standardized	1,661	1,817	1,883	1,820	1,913	2,033
Mandatory Spending Minus Offsetting Receipts						
Budget	900	951	1008	1,106	1,179	1,228
Cyclical adjustments	7	9	3	-13	-7	-3
Other adjustments	10	3	11	10	5	6
Standardized	917	963	1,022	1,103	1,177	1,231
Discretionary Spending						
Budget	572	615	649	734	785	806
Timing adjustment	0	-3	3	0	0	0
Standardized	572	612	652	734	785	806
Interest Payments						
Budget	230	223	206	171	157	165
Inflation adjustment	-55	-81	-78	-36	-60	-69
Standardized	175	142	128	135	98	96
Surplus or Deficit (-)						
Budget[a]	126	236	127	-158	-199	-145
Cyclical adjustments	-70	-99	-19	40	50	32
Other adjustments[b]	-59	-38	-27	-35	3	13
Standardized[a]	-3	99	80	-153	-146	-100

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

NOTE: 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 nonaccelerating inflation rate of unemployment. The cyclical adjustments to the budget surplus (which are the same as the cyclical surplus, but with the sign reversed) equal the cyclical adjustments to revenues minus the cyclical adjustments to mandatory spending.

a. The revisions to CBO's baseline budget projections since January would increase these deficits by $47 billion in 2003 and by $55 billion in 2004.

b. "Other adjustments" to the surplus 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, 1999-2004
(As a percentage of potential GDP)

	Actual				Projected	
	1999	2000	2001	2002	2003	2004
Revenues						
Budget	20.4	21.4	19.9	17.8	17.6	18.0
Cyclical adjustments	-0.7	-0.9	-0.2	0.3	0.4	0.3
Other adjustments	-1.2	-1.3	-0.9	-0.6	-0.5	-0.4
Standardized	18.6	19.2	18.8	17.5	17.5	17.8
Mandatory Spending Minus Offsetting Receipts						
Budget	10.1	10.1	10.1	10.6	10.8	10.8
Cyclical adjustments	0.1	0.1	*	-0.1	-0.1	*
Other adjustments	0.1	*	0.1	0.1	*	0.1
Standardized	10.3	10.2	10.2	10.6	10.8	10.8
Discretionary Spending						
Budget	6.4	6.5	6.5	7.0	7.2	7.1
Timing adjustment	0	*	*	0	0	0
Standardized	6.4	6.5	6.5	7.0	7.2	7.1
Interest Payments						
Budget	2.6	2.4	2.1	1.6	1.4	1.4
Inflation adjustment	-0.6	-0.9	-0.8	-0.3	-0.5	-0.6
Standardized	2.0	1.5	1.3	1.3	0.9	0.8
Surplus or Deficit (-)						
Budget	1.4	2.5	1.3	-1.5	-1.8	-1.3
Cyclical adjustments	-0.8	-1.0	-0.2	0.4	0.5	0.3
Other adjustments[a]	-0.7	-0.4	-0.3	-0.3	*	0.1
Standardized	*	1.1	0.8	-1.5	-1.3	-0.9

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 nonaccelerating inflation rate of unemployment. The cyclical adjustments to the budget surplus (which are the same as the cyclical surplus, but with the sign reversed) equal the cyclical adjustments to revenues minus the cyclical adjustments to mandatory spending.

* = between -0.05 percent and 0.05 percent.

a. “Other adjustments” to the surplus 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, 1999-2004

	Actual				Projected	
	1999	2000	2001	2002	2003	2004
In Billions of Dollars						
Revenues						
Capital gains	-99	-119	-97	-55	-51	-56
Timing	-5	0	23	- 23	0	7
Other	0	0	-18	18	0	0
Mandatory Outlays						
Deposit insurance	-5	-3	-1	-1	*	-1
Asset sales	-3	-5	-7	-6	-5	-4
Spectrum auctions	-2	*	-1	*	*	*
Timing	0	4	-1	-3	0	0
Discretionary Outlays						
(Timing adjustment)	0	3	-3	0	0	0
Interest Payments						
(Inflation adjustment)	55	81	78	36	60	69
Total	-59	-38	-27	-35	3	13
As a Percentage of Potential GDP						
Revenues						
Capital gains	-1.1	-1.3	-1.0	-0.5	-0.5	-0.5
Timing	-0.1	0	0.2	-0.2	0	0.1
Other	0	0	-0.2	0.2	0	0
Mandatory Outlays						
Deposit insurance	-0.1	*	*	*	*	*
Asset sales	*	*	-0.1	-0.1	*	*
Spectrum auctions	*	*	*	*	*	*
Timing	0	*	*	*	0	0
Discretionary Outlays						
(Timing adjustment)	0	*	*	0	0	0
Interest Payments						
(Inflation adjustment)	0.6	0.9	0.8	0.3	0.5	0.6
Total	-0.7	-0.4	-0.3	-0.3	*	0.1

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

NOTES: The signs of the adjustments to outlays 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 effect on the surplus or deficit.

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

Table A-5.
The Standardized-Budget Surplus or Deficit and Related Series, 1962-2002 (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
1962	-7	2	1	-4	99	104
1963	-5	1	*	-4	106	110
1964	-6	-2	1	-7	108	115
1965	-1	-5	2	-5	110	115
1966	-4	-13	3	-14	115	130
1967	-9	-13	*	-21	132	153
1968	-25	-11	5	-31	139	171
1969	3	-14	*	-11	162	173
1970	-3	-6	2	-6	178	184
1971	-23	3	9	-11	186	197
1972	-23	*	3	-20	200	220
1973	-15	-14	8	-21	213	234
1974	-6	-10	18	2	251	249
1975	-53	21	31	-1	298	298
1976	-74	23	13	-37	308	345
1977	-54	12	20	-22	356	378
1978	-59	-3	29	-33	388	421
1979	-41	-13	36	-18	442	460
1980	-74	18	44	-13	519	532
1981	-79	26	39	-14	608	622
1982	-128	64	23	-41	657	698
1983	-208	87	7	-114	652	766
1984	-185	28	12	-145	672	817
1985	-212	16	20	-177	723	900
1986	-221	10	-3	-214	747	960
1987	-150	11	-13	-152	814	966
1988	-155	-9	35	-130	867	997
1989	-152	-21	56	-118	936	1,054
1990	-221	-10	110	-121	991	1,112
1991	-269	50	73	-147	1,069	1,216
1992	-290	66	39	-185	1,124	1,310
1993	-255	56	14	-185	1,169	1,354
1994	-203	30	28	-145	1,247	1,393
1995	-164	14	6	-144	1,328	1,472
1996	-108	14	-5	-99	1,411	1,510
1997	-22	-19	-32	-73	1,491	1,564
1998	69	-46	-60	-37	1,594	1,631
1999	126	-70	-59	-3	1,661	1,664
2000	236	-99	-38	99	1,817	1,717
2001	127	-19	-27	80	1,883	1,803
2002	-158	40	-35	-153	1,820	1,973

SOURCE: Congressional Budget Office.

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

a. The cyclical adjustment (which is the same as the cyclical surplus, but with the sign reversed) is positive when cyclical conditions are temporarily depressing 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.
The Standardized-Budget Surplus or Deficit and Related Series, 1962-2002
(As a percentage of potential GDP)

	Budget Surplus or Deficit (-)	Cyclical Adjustment[a]	Other Adjustments[b]	Standardized-Budget Surplus or Deficit (-)	Standardized-Budget Revenues	Standardized-Budget Outlays
1962	-1.2	0.4	0.1	-0.8	17.2	18.0
1963	-0.8	0.2	-0.1	-0.6	17.5	18.1
1964	-0.9	-0.3	0.2	-1.0	17.0	18.1
1965	-0.2	-0.8	0.2	-0.7	16.3	17.0
1966	-0.5	-1.9	0.4	-2.0	16.0	18.0
1967	-1.1	-1.6	*	-2.7	17.0	19.7
1968	-3.0	-1.3	0.6	-3.7	16.6	20.3
1969	0.4	-1.6	*	-1.2	17.7	18.9
1970	-0.3	-0.6	0.2	-0.6	17.7	18.4
1971	-2.1	0.3	0.9	-1.0	17.1	18.1
1972	-2.0	*	0.3	-1.7	16.9	18.6
1973	-1.2	-1.1	0.6	-1.7	16.7	18.4
1974	-0.4	-0.7	1.3	0.1	17.7	17.6
1975	-3.3	1.3	1.9	*	18.4	18.5
1976	-4.1	1.3	0.7	-2.1	17.2	19.3
1977	-2.7	0.6	1.0	-1.1	17.8	18.9
1978	-2.7	-0.1	1.3	-1.5	17.5	19.1
1979	-1.6	-0.5	1.5	-0.7	17.9	18.6
1980	-2.7	0.6	1.6	-0.5	18.7	19.2
1981	-2.5	0.8	1.2	-0.5	19.4	19.9
1982	-3.7	1.9	0.7	-1.2	19.1	20.3
1983	-5.6	2.3	0.2	-3.1	17.7	20.8
1984	-4.7	0.7	0.3	-3.7	17.1	20.8
1985	-5.1	0.4	0.5	-4.2	17.3	21.5
1986	-5.0	0.2	-0.1	-4.8	16.9	21.7
1987	-3.2	0.2	-0.3	-3.2	17.3	20.6
1988	-3.1	-0.2	0.7	-2.6	17.4	20.0
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	0.8	1.2	-2.4	17.6	20.0
1992	-4.5	1.0	0.6	-2.9	17.6	20.5
1993	-3.8	0.8	0.2	-2.8	17.4	20.2
1994	-2.9	0.4	0.4	-2.1	17.7	19.8
1995	-2.2	0.2	0.1	-2.0	18.0	20.0
1996	-1.4	0.2	-0.1	-1.3	18.2	19.5
1997	-0.3	-0.2	-0.4	-0.9	18.3	19.2
1998	0.8	-0.5	-0.7	-0.4	18.7	19.1
1999	1.4	-0.8	-0.7	*	18.6	18.6
2000	2.5	-1.0	-0.4	1.1	19.2	18.2
2001	1.3	-0.2	-0.3	0.8	18.8	18.0
2002	-1.5	0.4	-0.3	-1.5	17.5	18.9

SOURCE: Congressional Budget Office.

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

a. The cyclical adjustment (which is the same as the cyclical surplus, but with the sign reversed) is positive when cyclical conditions are temporarily depressing 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).