A CBO REPORT

The Cyclically Adjusted and Standardized Budget Measures

March 2006

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.

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

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

Preface

This report offers alternative measures of the budget that incorporate adjustments for cyclical and other factors. It is one of a series of reports that the Congressional Budget Office (CBO) issues each year to fulfill the requirement of section 202(e) of the Congressional Budget Act of 1974 that CBO submit to the Committees on the Budget periodic reports about fiscal policy and provide baseline projections of the federal budget. The report is based on information presented in *The Budget and Economic Outlook: Fiscal Years 2007 to 2016,* published in January of this year.

Frank Russek wrote the report, with assistance from Adam Weber, under the supervision of John Peterson and Robert Dennis. Leah Mazade edited the report, and Maureen Costantino prepared it for publication. Simone Thomas and Annette Kalicki produced the electronic versions for CBO's Web site (www.cbo.gov).

Donald B. Marron

Donald B. Marron
Acting Director

March 2006

Contents

The Cyclically Adjusted and Standardized Budget Measures

Summary

In January 2006, the Congressional Budget Office (CBO) released baseline projections of federal revenues, outlays, surpluses, and deficits for the next 10 years.[1] The development of those projections is governed by statutory rules that require CBO to assume the continuation of current laws and policies affecting taxes and mandatory programs and to extrapolate the growth of discretionary spending by using specified rates of inflation. According to CBO's current projections, if the policies reflected in its January 2006 report were to continue, the total budget deficit would increase from $318 billion in 2005 to $337 billion in 2006 and then drop to $270 billion in 2007.[2] Measured relative to the size of the economy—that is, as a percentage of gross domestic product, or GDP—the total budget deficit would be roughly 2.6 percent in 2005 and 2006 and 2.0 percent in 2007.

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

In CBO's estimation, the cyclically adjusted budget deficit—the total baseline budget deficit minus the effects of the business cycle—will increase slightly from 2.2 percent of potential GDP in 2005 to 2.3 percent in 2006 but will then decline to 1.8 percent in 2007.[3] By comparison, the standardized-budget deficit this year is forecast to show more movement than the cyclically adjusted deficit, rising from 1.8 percent of potential GDP in 2005 to 2.3 percent in 2006; in 2007, however, the standardized deficit is projected to move in nearly the same fashion as the cyclically adjusted deficit, falling to 1.9 percent (see Table 1). CBO's projections of the cyclically adjusted and standardized budgets extend only through 2007 because the economic projection on which they are based does not attempt to predict cyclical movements beyond that point. Consequently, projections of the cyclically adjusted budget surplus or deficit beyond 2007 would be very similar to CBO's baseline projections of the total budget surplus or deficit.

Economic output will remain somewhat below potential in 2006 and 2007, CBO projects. Business-cycle effects will thus continue to add to the federal budget deficit in those years but by less than they have in previous years. In 2005, those estimated cyclical effects accounted for 13 percent of the total budget deficit, down from 15 percent in 2004. (By comparison, in 2002 and 2003, they ac-

1. See Congressional Budget Office, *The Budget and Economic Outlook: Fiscal Years 2007 to 2016* (January 2006), Summary Table 1.

2. CBO's January baseline did not reflect the effects of budget reconciliation or of spending that might result from future supplemental requests for additional funding for operations in Iraq and Afghanistan.

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

Table 1.

Measures of the Federal Budget Deficit, 2002 to 2007

	Actual				Projected	
	2002	2003	2004	2005	2006	2007
	In Billions of Dollars					
Total Budget Deficit	-158	-378	-413	-318	-337	-270
Minus: Cyclical Contribution	-73	-101	-63	-42	-29	-25
Equals: Cyclically Adjusted Deficit	-85	-277	-350	-276	-308	-245
Plus: Other Adjustments[a]	-35	*	62	50	3	-22
Equals: Standardized-Budget Deficit	-120	-276	-288	-226	-305	-268
	As a Percentage of Potential Gross Domestic Product					
Total Budget Deficit	-1.5	-3.4	-3.5	-2.6	-2.6	-2.0
Minus: Cyclical Contribution	-0.7	-0.9	-0.5	-0.3	-0.2	-0.2
Equals: Cyclically Adjusted Deficit	-0.8	-2.5	-3.0	-2.2	-2.3	-1.8
Plus: Other Adjustments[a]	-0.3	**	0.5	0.4	**	-0.2
Equals: Standardized-Budget Deficit	-1.1	-2.5	-2.4	-1.8	-2.3	-1.9

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

Note: * = between zero and $500 million; ** = between zero and 0.05 percent.

a. "Other Adjustments" include those made to account for unusually large discrepancies between tax payments and liabilities, swings in collections of taxes on capital gains, changes in the inflation component of the government's net interest payments, temporary legislative changes in the timing of revenues and outlays, receipts from the government's sale of assets and from auctions of licenses for the use of the spectrum, and federal outlays for deposit insurance.

counted for much larger proportions of the total deficit—46 percent and 27 percent, respectively—because of the greater amount of slack in the economy in the aftermath of the 2001 recession.) According to CBO's baseline projections for the economy and the budget, cyclical effects will add about 9 percent to the total budget deficit in both 2006 and 2007. The additional adjustments that underlie the standardized-budget deficit (for shifts in the timing of tax receipts and outlays as well as for other factors) are also projected to shrink (and change signs) over the next two years. CBO estimates that those changes, which represent 16 percent of the total deficit for 2005, 1 percent for 2006, and a negative 8 percent for 2007, will cause the standardized deficit to become larger than the cyclically adjusted deficit by 2007.

Why Adjust Measures of the Total Budget Surplus or Deficit?

Despite some limitations, both conceptual and empirical, budget measures that filter out cyclical and other temporary factors are useful in a number of ways. For example, some analysts use those measures to discern underlying trends in government saving (that is, surpluses or deficits). Others use them to determine in a rough way whether the influence of the budget on the growth of real (inflation-adjusted) aggregate demand in the short run is positive or negative. More generally, those measures provide estimates of the extent to which changes in the 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 which mitigate the decline of real income in recessions and dampen its growth in booms.)[4]

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. Those legislative changes result in movements in the cyclically adjusted surplus or deficit in the same way that they affect the unadjusted total budget surplus or deficit. Under the rules governing CBO's baseline, however, possible future legislation has no effect on either budget measure.

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

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

Federal taxes and spending can affect the economy in many ways beyond the short term and thus may alter the prospects for economic growth in the long run—particularly by changing the allocation of resources—through their effect on decisions to work, save, and invest. (Frequently—as was the case with the enactment of the Economic Growth and Tax Relief Reconciliation Act of 2001, or EGTRRA, and the Jobs and Growth Tax Relief Reconciliation Act of 2003, or JGTRRA—changes in legislation intend both short- and long-term effects.) Summary budget measures such as the cyclically adjusted and standardized budget surplus or deficit are generally of limited use in identifying the economic effects of changes in incentives. Instead, CBO's estimates of those impacts are incorporated in its economic forecasts.[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 estimates of the revenue losses that automatically occur during recessions. Likewise, cyclically adjusted outlays exclude estimates of the additional spending that automatically follows a rise in unemployment. The difference between those two measures is the cyclically adjusted surplus or deficit.

CBO's estimates of the cyclical component of revenues and outlays depend on the gap between actual GDP and potential GDP.[6] Thus, different estimates of potential GDP will produce different estimates of the size of the cyclically adjusted surplus or deficit.[7]

CBO estimates that under the laws in place as of January 2006, the cyclically adjusted deficit will increase slightly from 2.2 percent of potential GDP in 2005 to 2.3 percent in 2006 and then shrink to 1.8 percent in 2007 (see Figure 1). As a percentage of potential GDP, the cyclically

4. 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.

5. 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.

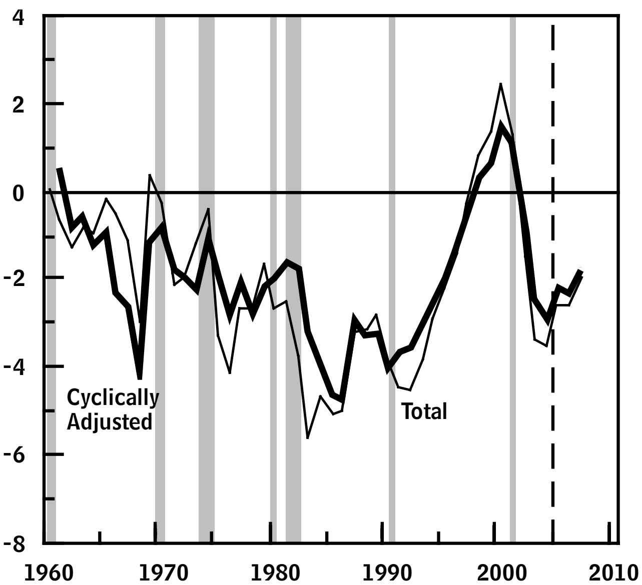
6. For CBO's method of estimating potential GDP, see Congressional Budget Office, *CBO's Method for Estimating Potential Output: An Update* (August 2001). See the Web site (www.cbo.gov) for CBO's current estimate of potential output.

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

Figure 1.

The Cyclically Adjusted and Total Budget Surpluses or Deficits, 1960 to 2007

(Percentage of potential gross domestic product)



Source: Congressional Budget Office.

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

The dashed vertical line separates actual from projected data.

adjusted deficit projected for 2007 would be the smallest since 2002.

The effect of the business cycle on the budget surplus or deficit is measured by the cyclical contribution—the difference between the total budget surplus or deficit and the cyclically adjusted surplus or deficit. In 2000, the cyclical contribution amounted to a surplus of 1.0 percent of potential GDP, which indicated that the economy was temporarily augmenting the total budget surplus by a significant amount. By 2002, the cyclical contribution had turned negative, reaching 0.7 percent of potential GDP—which meant that the economy, in operating below its potential, was adding to the total budget deficit. A string of negative contributions followed in 2003, 2004, and 2005: economic effects pushed up the deficit by amounts equal to 0.9 percent, 0.5 percent, and 0.3 percent of potential GDP, respectively. Cyclical contributions will remain negative in 2006 and 2007, CBO projects, but they will be smaller, increasing the deficit in each year by an amount equal to 0.2 percent of potential GDP.

In its annual reports on the budget and the economy, CBO presents estimates (or "rules of thumb") that specify how the budget would respond if certain economic assumptions were changed.[8] The estimates of the cyclical contribution presented here differ from those that would be obtained by using the rules of thumb. The rule-of-thumb estimates attempt to capture the budgetary effects of sustained changes in the rate of growth of GDP and other economic variables, whereas the estimates presented in this report are meant to filter out temporary cyclical fluctuations.

The Standardized-Budget Surplus or Deficit

CBO routinely calculates another adjusted budget measure, the standardized-budget surplus or deficit. That measure excludes the effects not only of cyclical fluctuations but also of factors that are short-lived and unlikely to significantly affect real income in the short term.[9] Those factors include unusually large discrepancies between tax payments and liabilities, swings in collections of capital gains taxes, changes in the inflation component of the government's net interest payments, temporary legislative changes in the timing of revenues and outlays, receipts from the government's sale of assets and auctions of licenses for use of the electromagnetic spectrum, and federal outlays for deposit insurance.

A substantial discrepancy between tax payments and liabilities emerged most recently in 2003, when taxpayers did not reduce their estimated and withheld tax payments to correspond to the reductions in their tax liabilities. The discrepancy arose because although JGTRRA reduced tax rates for all of calendar year 2003, the lower rates were reflected in withholding for only about half of the year, implying additional refunds or reductions in final settlements of roughly $20 billion in the spring of 2004. Because those overpayments in fiscal year 2003 (and the correspondingly higher refunds in 2004) were

8. See Congressional Budget Office, *The Budget and Economic Outlook: Fiscal Years 2007 to 2016*, Appendix C.

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

temporary, they should have had little impact on people's perception of their income. For that reason, in calculating the standardized budget, CBO treated those overpayments (and similar discrepancies between tax payments and liabilities that occurred in the past) as if they affected only the timing of tax payments and not perceived real income. That adjustment removed the temporary overpayments from revenue totals for 2003 and reduced refunds in 2004 by the same amount.

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

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

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

CBO projects that in 2006, under current laws and policies, the standardized-budget deficit will rise by 0.5 percent of potential GDP; by comparison, the cyclically adjusted deficit is projected to rise by only a very small amount. Nearly all of the increase in the standardized-budget deficit will be reversed in 2007, CBO estimates, and that change is similar to the movement forecast for the cyclically adjusted deficit. The difference between the movements in the two measures reflects the adjustments to the standardized-budget deficit for factors other than the business cycle. Those adjustments amount to 0.4 percent of potential GDP in 2005, essentially zero in 2006, and a negative 0.2 percent in 2007 (which makes the standardized deficit larger than the cyclically adjusted deficit in that year).

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

The standardized-budget deficit, following large increases in 2002 and 2003 and little change in 2004, registered a significant decline in 2005 that brought it down from 2.5 percent of potential gross domestic product, or potential GDP, in 2004 to 1.8 percent in 2005 (see Tables A-1 and A-2). Standardized revenues rose substantially in 2005, climbing by 0.8 percent of potential GDP, whereas standardized outlays rose by only 0.2 percent of potential GDP. The rise in standardized revenues was less than the rise in cyclically adjusted revenues because of increases in capital gains tax receipts in 2005 and in tax refunds in 2004 (resulting from the Jobs and Growth Tax Relief Reconciliation Act of 2003)—both of which were excluded from standardized revenues (see Table A-3). There was relatively little difference between the changes in standardized and cyclically adjusted budget outlays in 2005.

Under the assumptions incorporated in the Congressional Budget Office's (CBO's) baseline projections for January 2006, which reflect past but not future legislation, the standardized-budget deficit is forecast to increase in 2006 by 0.5 percent of potential GDP before it contracts again, to 1.9 percent, in 2007. For 2006, CBO projects, a small increase in standardized revenues will be offset by larger increases in standardized outlays for mandatory spending and interest payments. For 2007, another small increase in standardized revenues will be accompanied by decreases in standardized outlays for mandatory and discretionary spending that will be only partly offset by an increase in standardized interest payments.

The change in the standardized-budget deficit that CBO anticipates for 2006 is much larger than the change it projects in the cyclically adjusted budget deficit, an outcome that reflects the various adjustments—in particular, a decline in the inflation component of interest payments— specific to the standardized budget. For 2007, CBO anticipates little change in the special adjustments to the standardized deficit, and thus its movement is projected to correspond closely to that of the cyclically adjusted measure.

Table A-1.

Details of the Standardized-Budget Deficit in Billions of Dollars, 2002 to 2007

	Actual				Projected	
	2002	2003	2004	2005	2006	2007
Revenues						
Budget	1,853	1,783	1,880	2,154	2,312	2,461
Minus: Cyclical contribution	-61	-93	-62	-45	-32	-27
Equals: Cyclically adjusted	1,914	1,875	1,942	2,199	2,345	2,488
Plus: Other adjustments	-82	-65	-41	-80	-81	-83
Equals: Standardized	1,833	1,811	1,901	2,120	2,264	2,406
Mandatory Spending Less Offsetting Receipts						
Budget	1,106	1,182	1,238	1,321	1,432	1,488
Minus: Cyclical contribution	12	8	1	-3	-3	-2
Equals: Cyclically adjusted	1,094	1,174	1,237	1,324	1,436	1,490
Plus: Other adjustments	9	6	7	-2	12	24
Equals: Standardized	1,103	1,180	1,244	1,322	1,448	1,514
Discretionary Spending						
Budget	734	825	894	967	999	1,000
Plus: Timing adjustment	0	0	0	-4	*	4
Equals: Standardized	734	825	894	963	999	1,004
Interest Payments						
Budget	171	153	160	184	217	244
Plus: Inflation adjustment	-56	-71	-110	-123	-97	-89
Equals: Standardized	115	82	51	61	121	155
Total Deficit						
Budget	-158	-378	-413	-318	-337	-270
Minus: Cyclical contribution	-73	-101	-63	-42	-29	-25
Equals: Cyclically adjusted	-85	-277	-350	-276	-308	-245
Plus: Other adjustments[a]	-35	*	62	50	3	-22
Equals: Standardized	-120	-276	-288	-226	-305	-268

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

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

* = between zero and $500 million.

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

Table A-2.

Details of the Standardized-Budget Deficit as a Percentage of Gross Domestic Product, 2002 to 2007

	Actual				Projected	
	2002	2003	2004	2005	2006	2007
Revenues						
Budget	17.5	16.0	16.0	17.3	17.5	17.8
Minus: Cyclical contribution	-0.6	-0.8	-0.5	-0.4	-0.2	-0.2
Equals: Cyclically adjusted	18.1	16.8	16.5	17.7	17.8	18.0
Plus: Other adjustments	-0.8	-0.6	-0.3	-0.6	-0.6	-0.6
Equals: Standardized	17.3	16.2	16.2	17.0	17.2	17.4
Mandatory Spending Less Offsetting Receipts						
Budget	10.4	10.6	10.5	10.6	10.9	10.7
Minus: Cyclical contribution	0.1	0.1	*	*	*	*
Equals: Cyclically adjusted	10.3	10.5	10.5	10.6	10.9	10.8
Plus: Other adjustments	0.1	0.1	0.1	*	0.1	0.2
Equals: Standardized	10.4	10.6	10.6	10.6	11.0	10.9
Discretionary Spending						
Budget	6.9	7.4	7.6	7.8	7.6	7.2
Plus: Timing adjustment	0	0	0	*	*	*
Equals: Standardized	6.9	7.4	7.6	7.7	7.6	7.2
Interest Payments						
Budget	1.6	1.4	1.4	1.5	1.6	1.8
Plus: Inflation adjustment	-0.5	-0.6	-0.9	-1.0	-0.7	-0.6
Equals: Standardized	1.1	0.7	0.4	0.5	0.9	1.1
Total Deficit						
Budget	-1.5	-3.4	-3.5	-2.6	-2.6	-2.0
Minus: Cyclical contribution	-0.7	-0.9	-0.5	-0.3	-0.2	-0.2
Equals: Cyclically adjusted	-0.8	-2.5	-3.0	-2.2	-2.3	-1.8
Plus: Other adjustments[a]	-0.3	*	0.5	0.4	*	-0.2
Equals: Standardized	-1.1	-2.5	-2.4	-1.8	-2.3	-1.9

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

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

* = 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.

Table A-3.

Details of "Other Adjustments" to the Standardized-Budget Deficit, 2002 to 2007

	Actual				Projected	
	2002	2003	2004	2005	2006	2007
			In Billions of Dollars			
Revenues						
Capital gains	-58	-50	-60	-75	-81	-83
Timing adjustment	-23	6	-1	-5	0	0
Other	0	-20	20	0	0	0
Mandatory Spending						
Deposit insurance	-1	-1	-2	-1	-1	-2
Asset sales	-5	-5	-5	-6	-8	-9
Spectrum auctions	*	0	0	*	0	-8
Timing adjustment	-3	0	0	10	-3	-6
Discretionary Spending						
Timing adjustment	0	0	0	4	*	-4
Interest Payments						
Inflation adjustment	56	71	110	123	97	89
Total	**-35**	*	**62**	**50**	**3**	**-22**
			As a Percentage of Potential Gross Domestic Product			
Revenues						
Capital gains	-0.6	-0.4	-0.5	-0.6	-0.6	-0.6
Timing adjustment	-0.2	**	**	**	0	0
Other	0	-0.2	0.2	0	0	0
Mandatory Spending						
Deposit insurance	**	**	**	**	**	**
Asset sales	**	**	**	**	-0.1	-0.1
Spectrum auctions	**	0	0	**	0	-0.1
Timing adjustment	**	0	0	0.1	**	**
Discretionary Spending						
Timing adjustment	0	0	0	**	**	**
Interest Payments						
Inflation adjustment	0.5	0.6	0.9	1.0	0.7	0.6
Total	**-0.3**	**	**0.5**	**0.4**	**	**-0.2**

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

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

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