

### SECTION 3 - ECONOMIC FACTORS

- o This section contains Department of Defense pay and inflation rate experience and assumptions for FY 2002 through FY 2009.
- o A table reflecting military and civilian pay raises since 1945 is included.
- o DON outlay deflators, by category, for FY 1960 through FY 2009 and DON TOA deflators, by appropriation, for FY 1970 through FY 2009 are provided.
- o Explanation of the use of deflators (inflation and deflation of dollar amounts):

To convert dollars from any year to FY 2004 dollars: Find the deflator for the year from which you are converting the dollars. Then divide that amount by that number. The result is the dollar amount in FY 2004 dollars.

To convert FY 2004 dollars to any other year: Find the deflator for the year to which you are converting the dollars. Then multiply your FY 2004 dollar amount by that number. The result is the dollar amount in the new year's dollars.

To convert from any year to any year: First convert the dollars to FY 2004 dollars, as described above. Then convert these FY 2004 dollars to the desired year, as described above.

Be sure to select the proper deflator.

For TOA, use the DON TOA deflators. Note that these deflators, while easy to use, will be somewhat inaccurate with regards to all non-procurement appropriations due to the fact that these appropriations contain funds for either pay and fuel, or both - areas in which historical inflation swings have been particularly pronounced. It should also be recognized that retired pay was not budgeted in the military personnel appropriations before FY 1985. However, for most budget purposes, the deflators shown in this table will be adequate.

For outlays, use the DON outlay deflators.