

## Interest Rates Used in Appropriations, Including PECO Executive Summary

July 17, 2019

The Revenue Estimating Conference adopted a series of interest rates for use in the state budgeting process, including any bonding related to Public Education Capital Outlay (PECO). The adopted interest rates take into consideration current benchmark rates and market volatility.

The long-term interest rate is used for bond issues with maturity structures of 20 years or more. The Conference affirmed the long-term interest rate of 5.00% adopted in February 2019. This rate matches the Division of Bond Finance’s recommendation. The adopted rate of 5.00% reflects current market conditions, and is based on benchmark rate of 3.37% plus a spread of 163 basis points for volatility.

### Long-Term Interest Rate

Fiscal Year	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26
Interest Rate	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%

The Conference also agreed with the Division of Bond Finance’s recommendation to retain the short-term (or variable) interest rate of 3.25%. The average short-term interest rate for Everglades bonds over a recent 12-month review period was 1.58%. This rate affects the calculated debt service on an outstanding bond.

Finally, the Conference adopted interest rates for use by the Revenue Estimating Conference in its calculation of the Maximum Appropriations for Public Education Capital Outlay (PECO). The adopted interest rates take into consideration current benchmark rates and the July 2019 National Economic Estimating Conference forecast for the yield on municipal bonds – the Bond Buyer 20-Bond Index.

### PECO Bonds Interest Rate

Fiscal Year	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26
Interest Rate - February 2019	5.00%	5.00%	5.00%	5.25%	5.25%	NA
Interest Rate - July 2019	4.75%	5.00%	5.00%	5.25%	5.25%	5.25%