Interest Rates Used in Appropriations, Including PECO Executive Summary February 20, 2025

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 adopted a long-term interest rate of 5.40%, an increase of 15 basis points from the rate adopted in July 2024, after considering information provided by the Division of Bond Finance. The Division of Bond Finance recommends a range for the long-term interest rate based on a benchmark rate of 4.36% plus a spread of 71 basis points for volatility for an interest rate of 5.07% on the low end and a benchmark rate of 4.36% plus a spread of 140 basis points for volatility for an interest rate of 5.76% on the high end. The 5.40% adopted rate has a spread of 104 basis points over the benchmark rate.

Long-Term Interest Rate

Fiscal Year	2025-26	2026-27	2027-28	2028-29	2029-30
Interest Rate	5.40%	5.40%	5.40%	5.40%	5.40%

As recommended by the Division of Bond Finance in December 2019, the Conference discontinued the adoption of a short-term or variable interest rate forecast. The adopted short-term interest rate was previously used to calculate debt service on the outstanding Everglades variable rate bonds. Variable rate bonds were initially issued in 2006 and 2007. The last outstanding issue of Everglades VR 2007A&B Bonds has now been refunded with fixed-rate bonds and was called for redemption on December 4, 2019. The Division of Bond Finance has no plans to recommend the issuance of variable rate bonds in the future.

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 February 2025 National Economic Estimating Conference forecast for the yield on municipal bonds – the Bond Buyer 20-Bond Index. The February forecast for the Bond Buyer 20-Bond Index indicated an increase in interest rates in all fiscal years. The Conference raised the rates in each fiscal year proportionally, allowing a spread of approximately 50 basis points above the new Bond Buyer 20-Bond Index.

PECO Bonds Interest Rate

Fiscal Year	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32
Interest Rate - July 2024	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%
Interest Rate - July 2024	4.75%	4.50%	4.50%	4.50%	4.50%	4.50%	4.50%