

Interest Rates Used in Appropriations, Including PECO
Executive Summary
July 18, 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 5.75%, an increase of 35 basis points from the rate adopted in February 2025, 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 4.63% plus a spread of 140 basis points for volatility for an interest rate of 6.03% on the low end and a benchmark rate of 4.63% plus a spread of 144 basis points for volatility for an interest rate of 6.07% on the high end. The 5.75% adopted rate has a spread of 112 basis points over the benchmark rate. The new rate discounts the extreme volatility related to tariff announcements seen in early April 2025.

Long-Term Interest Rate

Fiscal Year	2025-26	2026-27	2027-28	2028-29	2029-30
Interest Rate	5.75%	5.75%	5.75%	5.75%	5.75%

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 July 2025 National Economic Estimating Conference forecast for the yield on municipal bonds – the Bond Buyer 20-Bond Index. The July 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 in accordance with this increase. The newly adopted forecast reflects a smaller spread for volatility in the first three years but grows to approximately 50 basis points above the new Bond Buyer 20-Bond Index for the remaining years to reflect the greater uncertainty in the later years.

PECO Bonds Interest Rate

Fiscal Year	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32
Interest Rate - February 2025	4.75%	4.50%	4.50%	4.50%	4.50%	4.50%	4.50%
Interest Rate - July 2025	5.25 %	5.00%	4.75%	4.75%	4.75%	4.75%	4.75%

**Division of Bond Finance
Interest Rate Calculations**

July 18, 2025

Division of Bond Finance

Calculation of Long-Term Interest Rate

<i>Long-Term Interest Rate Information*</i>		
	<u>Low End</u>	<u>High End</u>
Current Estimated Long-Term Interest Rate ¹	4.63%	4.63%
Plus: Volatility Spread ²	1.40%	1.44%
Long-Term Interest Rate Range	6.03%	6.07%

¹ Interest rate estimate for a 30-year bond issue based on 5% coupons and estimated yields and credit spreads as of July 15, 2025. Estimate represents the true interest cost, which factors in the cost of call optionality based on the market standard 10-year par call structure. Excludes costs of issuance and underwriter's discount, which would increase the true cost of borrowing.

² Two measures to have been used to calculate interest rate volatility; (1) Bond Buyer 11 GO Bond Index maximum annual change over the last 20 fiscal years of 140 basis points and (2) TM3 Municipal Market Data ("MMD") 30-year AAA benchmark stated yield high-low range over the prior 12 months of 144 basis points.

Long-Term Interest Rate:

The interest rate range noted above is based on the Division of Bond Finance's historical methodology that analyzes interest rate trends and volatility over the past 20 years and most recent 12-month period. Based on estimated yields and credit spreads as of July 15, 2025, the Division's methodology produces a range of 6.03% to 6.07% for the long-term interest rate.

Since February 2025, the municipal market has continued to see elevated yields while the yield curve has steepened (long-term rates increasing more than short-term rates). Volatility in the tax-exempt space has mirrored the Treasury market, with particular volatility during the week of April 7, 2025, where municipal rates increased by approximately 90 basis points over a three day stretch following tariff announcements, before dropping by approximately 45 basis points the following day. This level of volatility effectively shut down municipal market issuance for the week as issuers and investors could not accurately determine the market value of bond offerings. While the market has stabilized since April, rates have not returned to pre-April levels and remain higher than in February 2025, as evidenced by the base rate used in our calculation increasing by 0.27% since the last conference. Looking at supply, the market saw record new issuance of long-term debt in the first half of the year, with tax-exempt supply up over 18% year-over-year. At the same time, the higher interest rate environment has helped spur demand for municipal bonds, with fund inflows of \$14.4 billion in 2025 year-to-date. Future tax-exempt interest rate movements are likely to continue to be dictated by macroeconomic factors, including market expectations of the timing of Federal Reserve interest rate cuts, progress towards the Federal Reserve's inflation target, and the health of the US economy.

Short-Term Interest Rate:

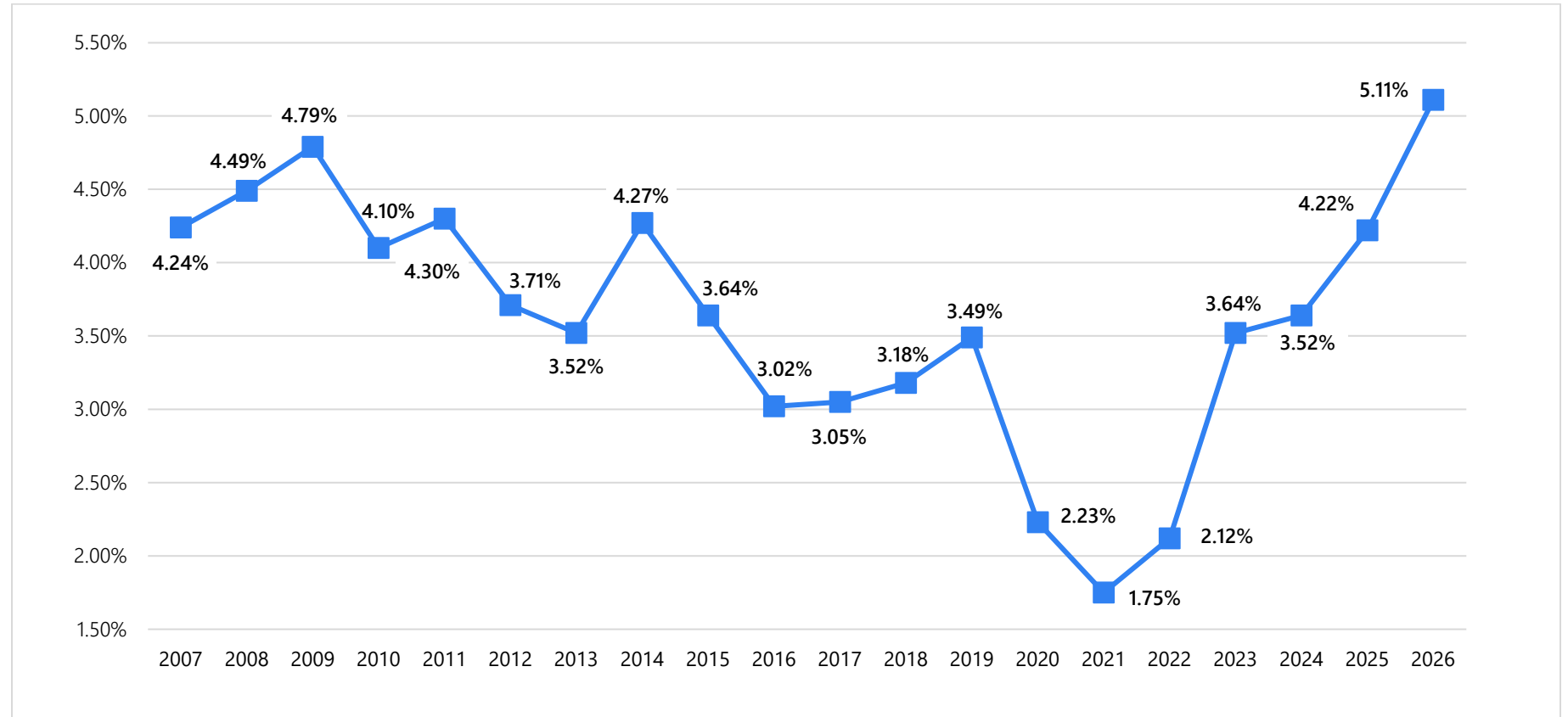
The State does not have any outstanding variable rate debt and there are no current plans for the issuance of additional variable rate debt. As a result, the Division has not produced a short-term interest rate analysis for this conference.

* The Division of Bond Finance has supplied the above interest rates to assist the REC in adopting official rates that would be used by State agencies for planning and budgetary purposes. There can be no assurance that actual interest rates for any particular bond issue will not exceed the rates shown above.

Long-Term Interest Rate Volatility

Change in Bond Buyer 11 GO Bond Index Average Annual Interest Rates Last 20 Years

The largest year-over-year change in the annual average Bond Buyer GO Bond Index over the last 20 fiscal years is 140 basis points.

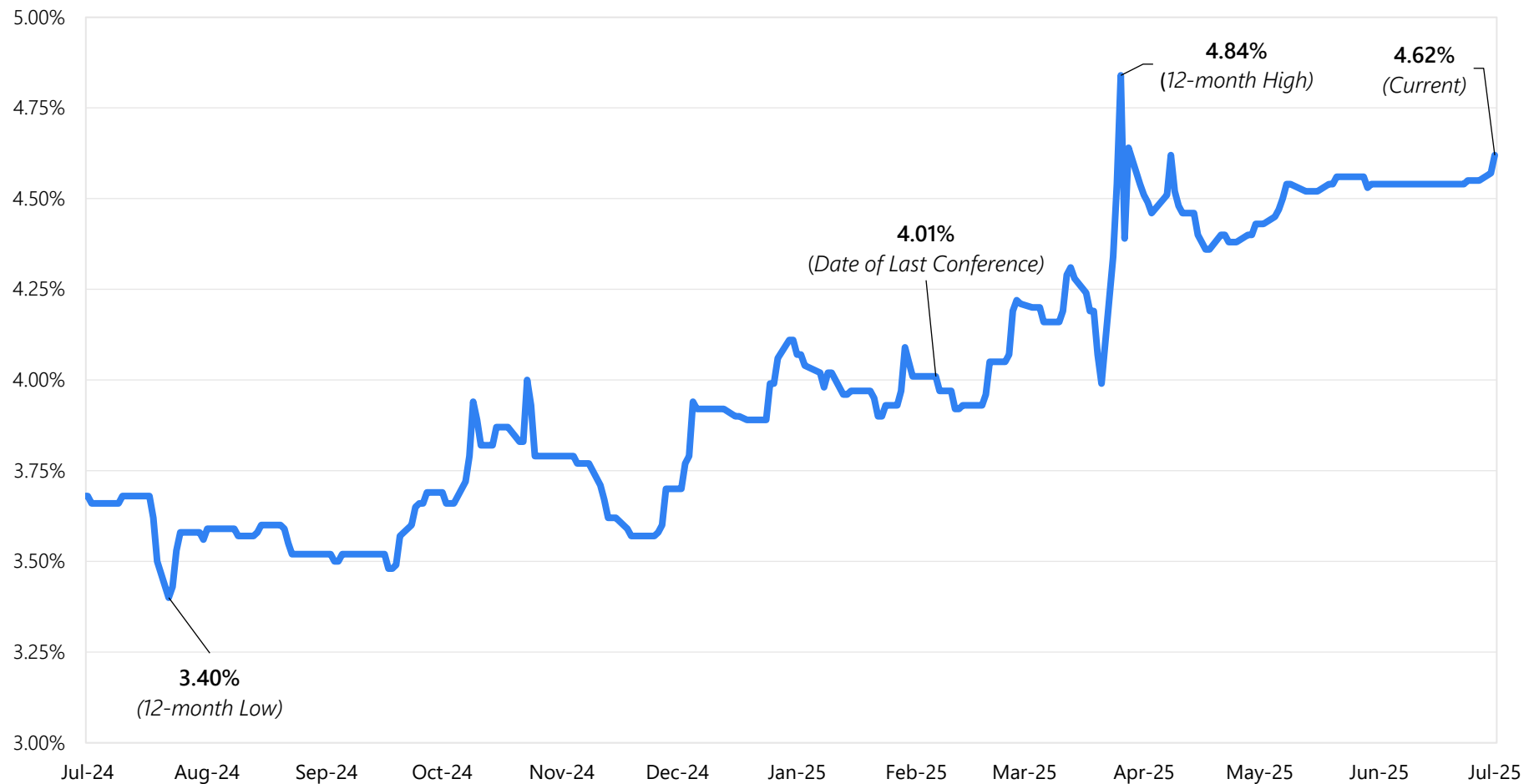


Fiscal Year	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	
BB 11 GO Avg	4.24%	4.49%	4.79%	4.10%	4.30%	3.71%	3.52%	4.27%	3.64%	3.02%	3.05%	3.18%	3.49%	2.23%	1.75%	2.12%	3.52%	3.64%	4.22%	5.11%	Average
YOY Change	(0.14)%	0.25%	0.30%	(0.69)%	0.20%	(0.59)%	(0.19)%	0.75%	(0.63)%	(0.62)%	0.03%	0.13%	0.31%	(1.26)%	(0.48)%	0.37%	1.40%	0.12%	0.58%	0.89%	0.50%*

*Average calculated using absolute values of year-over-year changes.

Long-Term Interest Rate Volatility Change in 30-Year Benchmark AAA MMD Rate Last 12 Months

The 30-year benchmark AAA MMD interest rate ranged from a low of 3.40% to a high of 4.84% over the last 12 months, a difference of 144 basis points. These are stated yields assuming 5% coupons and do not factor the effect of call optionality (yield-to-maturity). Also excludes costs of issuance and underwriter's discount.



PECO BOND SALES AND INTEREST RATES

(BOLD font indicates forecasted values)

YIELD	Bond Buyer 20-Bond Index		Series 2025 FY25-26	Series 2026 FY26-27	Series 2027 FY27-28	Series 2028 FY28-29	Series 2029 FY29-30	Series 2030 FY30-31	Series 2031 FY31-32	Series 2032 FY32-33	Series 2033 FY33-34
	Feb 2025	Jul 2025									
2025 Q3	4.18%	5.08%	5.25% Jul 2025 4.75% Feb 2025								
2025 Q4	4.19%	4.97%									
2026 Q1	4.16%	4.87%									
2026 Q2	4.09%	4.78%									
2026 Q3	4.05%	4.71%		5.00% Jul 2025 4.50% Feb 2025							
2026 Q4	4.03%	4.64%									
2027 Q1	4.02%	4.58%									
2027 Q2	4.00%	4.52%									
2027 Q3	3.98%	4.45%			4.75% Jul 2025 4.50% Feb 2025						
2027 Q4	3.98%	4.41%									
2028 Q1	3.98%	4.36%									
2028 Q2	3.98%	4.33%									
2028 Q3	3.98%	4.31%				4.75% Jul 2025 4.50% Feb 2025					
2028 Q4	3.98%	4.27%									
2029 Q1	3.98%	4.25%									
2029 Q2	3.98%	4.24%									
2029 Q3	3.99%	4.22%					4.75% Jul 2025 4.50% Feb 2025				
2029 Q4	3.99%	4.22%									
2030 Q1	3.99%	4.22%									
2030 Q2	4.00%	4.23%									
2030 Q3	4.00%	4.22%						4.75% Jul 2025 4.50% Feb 2025			
2030 Q4	4.00%	4.23%									
2031 Q1	4.00%	4.23%									
2031 Q2	4.00%	4.23%									
2031 Q3	4.00%	4.23%							4.75% Jul 2025 4.50% Feb 2025		
2031 Q4	4.00%	4.23%									
2032 Q1	4.01%	4.23%									
2032 Q2	4.01%	4.23%									
2032 Q3	4.01%	4.23%								4.75% Jul 2025 4.50% Feb 2025	
2032 Q4	4.01%	4.23%									
2033 Q1	4.01%	4.24%									
2033 Q2	4.01%	4.24%									
2033 Q3	4.02%	4.24%									4.75% Jul 2025 4.50% Feb 2025
2033 Q4	4.02%	4.25%									
2034 Q1	4.03%	4.25%									
2034 Q2	4.03%	4.26%									

ADOPTED July 2025		5.25%		5.00%		4.75%		4.75%		4.75%		4.75%		4.75%		4.75%		4.75%	
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