Interest Rates Used in Appropriations, Including PECO
Executive Summary
July 19, 2024

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 maintained a long-term interest rate of 5.25%, the same as the rate adopted in December 2023, 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 4.13% plus a spread of 115 basis points for volatility for an interest rate of 5.28% on the low end and a benchmark rate of 4.13% plus a spread of 140 basis points for volatility for an interest rate of 5.53% on the high end. The 5.25% adopted rate has a spread of 112 basis points over the benchmark rate.

Long-Term Interest Rate

Fiscal Year	2025-26	2026-27	2027-28	2028-29	2029-30
Interest Rate	5.25%	5.25%	5.25%	5.25%	5.25%

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 2024 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 only a slight increase in interest rates in all fiscal years. The Conference maintained the rates in each fiscal year, 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 - December 2023	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%
Interest Rate - July 2024	**4.00%**	**4.00%**	**4.00%**	**4.00%**	**4.00%**	**4.00%**	**4.00%**