

Executive Summary **September 9, 2011**

The Revenue Estimating Conference has adopted recommended interest rates for use in the state planning and budgeting process. The first is a long-term interest rate used for government issues of 20 years or more initiated in the years displayed below:

Long-Term Interest Rate

Fiscal Year	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
Interest Rate	5.75%	5.75%	5.75%	5.75%	5.75%	5.75%	5.75%	5.75%	5.75%

The second rate is a short-term (or variable) interest rate of 2.00%.

Both rates have been reduced from the prior forecast; however, they still take into account the current and historic volatility of the credit market. They will be revisited in the Fall of 2012.

Interest rates used for calculations supporting the Public Education Capital Outlay (PECO) program are determined separately.

Division of Bond Finance
Interest Rate Calculations
Economic Estimating Conference

September 9, 2011

Division of Bond Finance

Calculation of Long-Term Interest Rate

Long-Term Interest Rate Recommendation*

Current Long -Term Interest Rate ¹	4.50%	4.50%
Plus: Volatility Spread ²	<u>0.75%</u>	<u>1.50%</u>
Recommended Long-Term Interest Rate Range for FY 2011-12:	5.25% to 6.00%	

¹ Current general obligation issue interest rate estimated at 4.50% for a 30 year issue based on current yields and credit spreads.

² Uses Bond Buyer 11 GO Bond interest rate volatility of 75 bps and current interest volatility from FY 2011 of approximately 150 bps

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Calculation of Short-Term Interest Rate

Short-Term Interest Rate Recommendation*

Average SIFMA Rate - Past Twelve Months	0.23%	0.23%
Plus: Volatility Spread	<u>1.50%</u>	<u>2.00%</u>
Total	1.73%	2.23%
Recommended Short-Term Interest Rate Range for FY 2011-12:	1.75% to 2.25%	

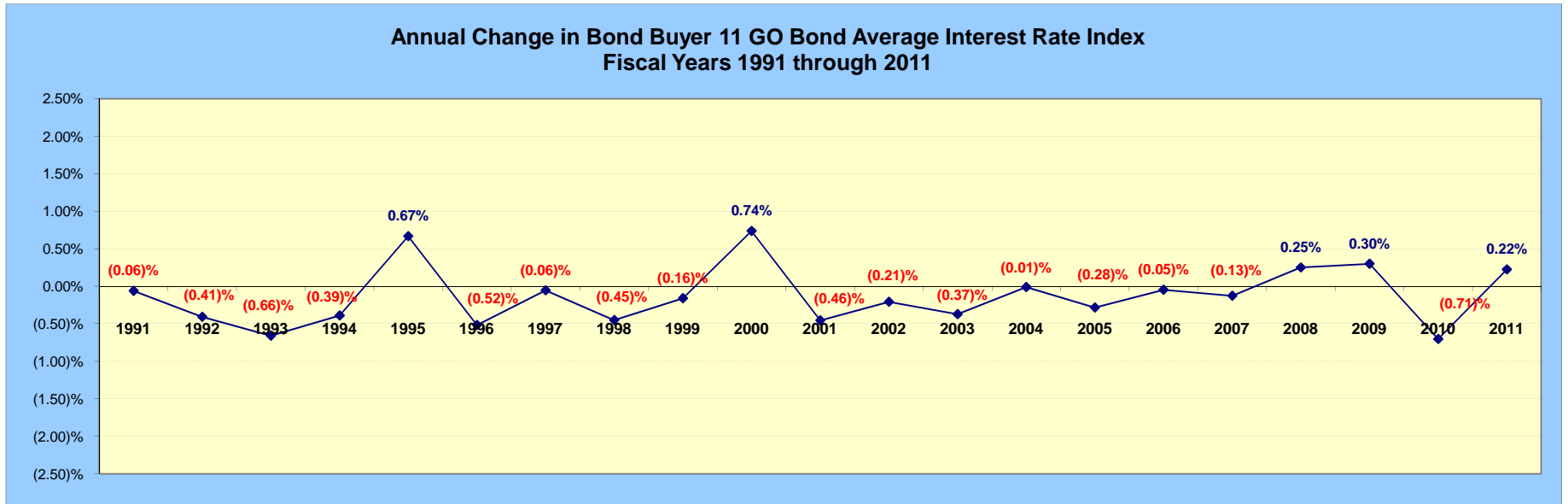
* The Division of Bond Finance has supplied the above interest rates to assist the REC in adopting official rates that would be used by the state agencies for planning and budgetary purposes for Fiscal Year 2012-13, except for PECO interest rates which are adopted through a separate process. There can be no assurance that actual interest rates for any particular bond issue will not exceed the rates shown above.

Historical MMD AAA Constant Maturity Yields 9/13/2010 through 9/2/2011



Change in Bond Buyer 11 GO Bond Average Annual Interest Rates Year to Year Fiscal Year 1991 through 2011

Fiscal Year	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	Avg. All yrs
BB 11 GO Average	7.00%	6.59%	5.93%	5.54%	6.20%	5.69%	5.63%	5.18%	5.02%	5.75%	5.30%	5.09%	4.72%	4.70%	4.42%	4.37%	4.24%	4.49%	4.79%	4.09%	4.31%	5.19%
Change from Prior Year	(0.06)%	(0.41)%	(0.66)%	(0.39)%	0.67%	(0.52)%	(0.06)%	(0.45)%	(0.16)%	0.74%	(0.46)%	(0.21)%	(0.37)%	(0.01)%	(0.28)%	(0.05)%	(0.13)%	0.25%	0.30%	(0.71)%	0.22%	(0.13)%



Division of Bond Finance
Calculation of Short-Term Interest Rate
Average SIFMA Rate - Past 12 Months

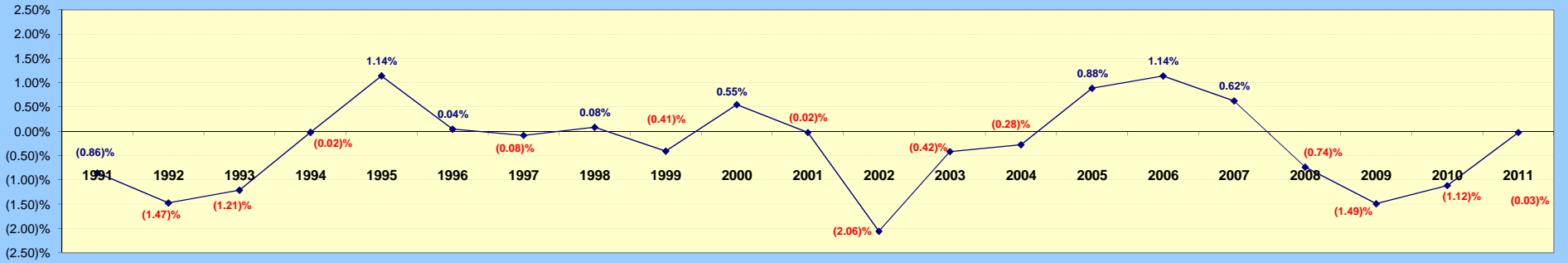
<u>Date</u>	<u>SIFMA</u>
09/01/2010	0.25%
09/08/2010	0.27%
09/15/2010	0.29%
09/22/2010	0.30%
09/29/2010	0.27%
10/06/2010	0.25%
10/13/2010	0.27%
10/20/2010	0.30%
10/27/2010	0.28%
11/03/2010	0.26%
11/10/2010	0.27%
11/17/2010	0.28%
11/24/2010	0.27%
12/01/2010	0.27%
12/08/2010	0.27%
12/15/2010	0.30%
12/22/2010	0.34%
12/29/2010	0.34%
01/05/2011	0.23%
01/12/2011	0.24%
01/19/2011	0.27%
01/26/2011	0.29%
02/02/2011	0.26%
02/09/2011	0.27%
02/16/2011	0.28%
02/23/2011	0.26%
03/02/2011	0.24%
03/09/2011	0.25%
03/16/2011	0.26%
03/23/2011	0.25%
03/30/2011	0.25%
04/06/2011	0.25%
04/13/2011	0.25%
04/20/2011	0.27%
04/27/2011	0.26%
05/04/2011	0.23%
05/11/2011	0.21%
05/18/2011	0.20%
05/25/2011	0.18%
06/01/2011	0.15%
06/08/2011	0.13%
06/15/2011	0.12%
06/22/2011	0.11%
06/29/2011	0.09%
07/06/2011	0.08%
07/13/2011	0.07%
07/20/2011	0.07%
07/27/2011	0.08%
08/03/2011	0.18%
08/10/2011	0.18%
08/17/2011	0.20%
08/24/2011	0.21%
08/31/2011	0.19%

12-month Average:	0.23%	0.23%
Plus: volatility spread	<u>1.50%</u>	<u>2.00%</u>
Recommendation:	<u>1.75%</u>	to <u>2.25%</u>

Change in SIFMA Average Annual Interest Rates Year to Year Fiscal Year 1991 through 2011

Fiscal Year	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	Avg all yrs
BMA Average	5.15%	3.67%	2.46%	2.44%	3.58%	3.62%	3.54%	3.62%	3.21%	3.76%	3.73%	1.67%	1.26%	0.98%	1.86%	3.00%	3.62%	2.89%	1.39%	0.28%	0.25%	2.67%
Change from Prior Year	(0.86)%	(1.47)%	(1.21)%	(0.02)%	1.14%	0.04%	(0.08)%	0.08%	(0.41)%	0.55%	(0.02)%	(2.06)%	(0.42)%	(0.28)%	0.88%	1.14%	0.62%	(0.74)%	(1.49)%	(1.12)%	(0.03)%	(0.27)%

Annual Change in SIFMA Average Index Fiscal Years 1991 through 2011



Everglades Series 2007A-B Variable Rate Bonds Tracking

