Interest Rates Used in Appropriations, Including PECO
Executive Summary

February 15, 2023

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 5.25%, 25 basis points higher than the rate adopted in July 2022, 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 3.99% plus a spread of 140 basis points for volatility for an interest rate of 5.39% on the low end and a benchmark rate of 3.99% plus a spread of 223 basis points for volatility for an interest rate of 6.22% on the high end. The 5.25% adopted rate has a spread of 126 basis points over the benchmark rate.

Long-Term Interest Rate

Fiscal Year	2023-24	2024-25	2025-26	2026-27	2027-28
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 February 2023 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 a decrease in interest rates, with the exception of the third quarter of 2023. The Conference maintained the prior conference's FY 2023-24 rate and decreased the rates in each remaining fiscal year to maintain a spread of at least 50 basis points above the new Bond Buyer 20-Bond Index. This decreased the rate by 25 basis points in all fiscal years, except FY 2023-24.

PECO Bonds Interest Rate

Fiscal Year	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29
Interest Rate - July 2022	4.00%	4.25%	4.25%	4.25%	4.25%	4.25%
Interest Rate - February 2023	**4.00%**	**4.00%**	**4.00%**	**4.00%**	**4.00%**	**4.00%**