

# 1997 Discount Rates for OMB Circular A-94

**AGENCY:** Office of Management and Budget

**ACTION:** Revisions to Appendix C of OMB Circular A-94

**SUMMARY:** The Office of Management and Budget revised Circular A-94 in 1992.

The revised Circular specified certain discount rates to be updated annually when the interest rate and inflation assumptions used to prepare the budget of the United States Government are changed.

These discount rates are found in Appendix C of the revised Circular. The updated discount rates are shown below. The discount rates in Appendix C are to be used for cost effectiveness analysis, including lease purchase analysis, as specified in the revised Circular. They do not apply to regulatory analysis.

**DATES:** The revised discount rates are effective immediately and will be in effect through February 1997

**FOR FURTHER INFORMATION CONTACT:** Robert B. Anderson, Office of Economic Policy, Office of Management and Budget, (202) 395-3381.

Joseph J. Minarik  
Associate Director for Economic Policy  
Office of Management and Budget  
Attachment

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## MEMORANDUM FOR THE HEADS OF EXECUTIVE DEPARTMENTS AND AGENCIES

FROM: Franklin D. Raines

SUBJECT: 1997 Discount Rates for OMB Circular No. A-94

On October 29, 1992, OMB issued a revision to OMB Circular No. A-94, "Guidelines and Discount Rates for Benefit-Cost Analysis of Federal Programs." The revision established new discount rate guidelines for use in benefit-cost and other types of economic analysis.

The revised Circular specifies certain discount rates that will be updated annually when the interest rate and inflation assumptions in the budget are changed. These discount rates are found in Appendix C of the revised Circular. The attachment to this memorandum is an update of Appendix C. It provides discount rates that will be in effect for the period 1997 through February 1998.

The rates presented in Appendix C do not apply to regulatory analysis or benefit-cost analysis of public investment. They are to be used for lease-purchase and cost-effectiveness analysis, as specified in the Circular.

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**Appendix C**  
**(Revised February 1997)**

**DISCOUNT RATES FOR COST EFFECTIVENESS, LEASE PURCHASE, AND RELATED ANALYSES**

**Effective Dates.** This appendix is updated annually around the time of the President's budget submission to Congress. This version of the appendix is valid through the end of February, 1998. Copies of the updated appendix and the Circular can be obtained from the OMB Publications Office (202-395-7332) or in an electronic form through the OMB home page on the World Wide WEB, /OMB.

Updates of this appendix are also available upon request from OMB's Office of Economic Policy (202--395-3381), as is a table of past years' rates.

**Nominal Discount Rates.** Nominal interest rates based on the economic assumptions from the budget are presented below. These nominal rates are to be used for discounting nominal flows, which are often encountered in lease purchase analysis.

NOMINAL INTEREST RATES ON TREASURY NOTES AND BONDS  
OF SPECIFIED MATURITIES (IN PERCENT)

<b>3-YEAR</b>	<b>5-YEAR</b>	<b>7-YEAR</b>	<b>10-YEAR</b>	<b>30-YEAR</b>
5.8	5.9	6.0	6.1	6.3

**Real Discount Rates.** Real interest rates based on the economic assumptions from the budget are presented below. These real rates are to be used for discounting real (constant-dollar) flows, as is often required in cost-effectiveness analysis.

REAL INTEREST RATES ON TREASURY NOTES AND BONDS  
OF SPECIFIED MATURITIES (IN PERCENT)

<b>3-YEAR</b>	<b>5-YEAR</b>	<b>7-YEAR</b>	<b>10-YEAR</b>	<b>30-YEAR</b>
3.2	3.3	3.4	3.5	3.6

Analyses of programs with terms different from those presented above may use a linear interpolation. For example, a four-year project can be evaluated with a rate equal to the average of the three-year and five-year rates. Programs with durations longer than 30 years may use the 30-year interest rate.