

03/03/2020

## 2020 DISCOUNT RATES

The FEMP discount rates for 2020 are valid until the 2021 Discount Rate Memo is produced and disseminated. They are as follows:

Real discount rate:	3.0 %
Nominal discount rate:	2.5 %
Implied long-term inflation rate:	-0.5 % <sup>1</sup>

Calculated long-term inflation rate:	2.3 %
Calculated real discount rate:	0.2 %

The 2020 OMB discount rates (for cost-effectiveness, lease/purchase, internal government investment, and asset sales) are, as of March 3:

### Real:

3-year:	-0.4 %
5-year:	-0.3 %
7-year:	-0.2 %
10-year:	0.0 %
20-year:	0.3 %
30-year:	0.4 %

### Nominal:

3-year:	1.6 %
5-year:	1.7 %
7-year:	1.8 %
10-year:	2.0 %
20-year:	2.3 %
30-year:	2.4 %

### OMB inflation rates:

3-year:	2.0 %
5-year:	2.0 %
7-year:	2.0 %
10-year:	2.0 %
20-year:	2.0 %
30-year:	2.0 %

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<sup>1</sup> The procedure specified in 10 CFR 436A, *FEMP Life Cycle Cost Methodology and Procedures*, for calculating the real FEMP discount rate resulted in a real discount rate of 0.2 % for 2020, which is lower than the prescribed floor of 3.0 %. Hence the 3.0 % floor is used as the real discount rate for FEMP analyses in 2020. Given the nominal discount rate of 2.5 %, the implied long-term inflation rate used in BLCC5 is then -0.5 %.

The 2020 real discount rate for public investment and regulatory analyses remains at 7%. However, in Circular A-4, released September 2003, OMB recommends that two estimates be submitted, one calculated with a real discount rate of 7 % and one calculated with a real discount rate of 3 %.