

03/14/2024

2024 DISCOUNT RATES

The FEMP discount rates for 2024 are valid until the 2025 Discount Rate Memo is produced and disseminated. They are as follows:

Real discount rate: 3.0 %
Nominal discount rate: 4.2 %
Implied long-term inflation rate: 1.2 %¹

Calculated long-term inflation rate: 2.9 %²
Calculated real discount rate: 1.3 %

The 2024 OMB discount rates (for cost-effectiveness, lease/purchase, internal government investment, and asset sales) were released December 28, 2023 in Appendix C of Circular A-94, and will be used for the Annual Supplement to Handbook 135 and BLCC:

OMB Rates	Discount Rates		Inflation Rates
Duration	Real	Nominal	
3-Year	2.2 %	4.5 %	2.3 %
5-Year	2.2 %	4.4 %	2.2 %
7-Year	2.2 %	4.4 %	2.2 %
10-Year	2.3 %	4.4 %	2.1 %
20-Year	2.5 %	4.7 %	2.1 %
30-Year	2.5 %	4.7 %	2.1 %

The 2024 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 %.

¹ 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 1.2 % for 2023, 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 2023. Given the nominal discount rate of 4.2 %, the implied long-term inflation rate used in BLCC5 is 1.2 %.

² The long-term inflation rate does not account for the short-term fluctuations that can occur in the general rate of inflation, such as those that have occurred since 2021. For example, if the real discount rate were calculated with the 10-year U.S. treasury yield (approximately 4.3 % as of February 26, 2024) and year-over-year CPI for January 2024 (3.1 %), the real discount rate would be estimated at 1.2%.