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In order to estimate the future impacts of inflation or deflation on the costs of providing an adequate education, the Bureau of Legislative Research subscribes to two top economic data providers, IHS Markit (a part of S&P Global) and Moody's Analytics. These services provide two Consumer Price Indexes (CPI) to consider, Core CPI and the CPI-U.

The CPI-U is the CPI – for all Urban Consumers, but it includes all baskets of goods. The Core CPI is the same as the CPI-U, except the Core CPI provides a less volatile estimate, as the Core CPI removes energy and food costs due to the volatility in these two sectors.

The CPI-U may relate more to the needs of school personnel as it includes the costs of energy and food, which apply to educators' needs. The estimates provided follow a similar approach to the reports presented to this committee showing the year-over-year percent change based on Quarter 3 estimates.

During the analysis period, IHS Markit and Moody's Analytics expect the CPI-U to decline after the initial period, in the direction of approximately 2%, as it moves towards the end of the estimation period (2027). The IHS Global estimated change for the 2023-2024 CPI-U is 1.68%, and for 2024-2025 is 2.01%. Estimates from Moody's Analytics for the same period are 2.00% and 2.31%, respectively. The difference between the two is partly associated with labor market and monetary policy assumptions. The average of those evaluations would lead to 1.84% for 2023-2024 and 2.16% for 2024-2025. These estimates can change over time, and new estimates will be provided to the committee upon request.

| <b><i>CPI - U</i></b>      |                          |                   |
|----------------------------|--------------------------|-------------------|
| <b><i>Estimate</i></b>     | <b>Moody's Analytics</b> | <b>IHS Markit</b> |
| <i>2022-2023 FY</i>        | 2.74%                    | 3.37%             |
| <b><i>2023-2024 FY</i></b> | <b>2.00%</b>             | <b>1.68%</b>      |
| <b><i>2024-2025 FY</i></b> | <b>2.31%</b>             | <b>2.01%</b>      |
| <i>2025-2026 FY</i>        | 2.27%                    | 2.17%             |
| <i>2026-2027 FY</i>        | 2.12%                    | 2.16%             |

| <b><i>Core CPI</i></b> |                          |                   |
|------------------------|--------------------------|-------------------|
| <b><i>Estimate</i></b> | <b>Moody's Analytics</b> | <b>IHS Markit</b> |
| <i>2022-2023 FY</i>    | 3.33%                    | 3.70%             |
| <i>2023-2024 FY</i>    | 2.58%                    | 2.43%             |
| <i>2024-2025 FY</i>    | 2.45%                    | 2.30%             |
| <i>2025-2026 FY</i>    | 2.37%                    | 2.26%             |
| <i>2026-2027 FY</i>    | 2.19%                    | 2.22%             |