

## 13. Economic Indices Outlook

### Consumer Price Index Projections

The Bureau of Legislative Research subscribes to two economic data providers, S&P Global and Moody's Analytics. Those services provide the following two estimates for the Consumer Price Index (CPI); the CPI for All Urban Consumers: All Items (CPI-U), and the CPI for All Urban Consumers : All items Less food and Energy, also known as "Core CPI."

The Core CPI differs from the CPI-U, as the Core CPI excludes the food and energy components due to their volatility. The estimates provided follow a similar approach to the reports previously presented to this committee showing the year-over-year percent change based on Quarter 3 estimates.

During the analysis period, S&P Global and Moody's Analytics expect CPI-U to moderate as it moves towards the end of the estimation period (2029). Moody's Analytics estimated CPI-U change for 2025-2026 is 2.39%, and for 2026-2027 is 2.25%. Estimates from S&P Global for the same time period are 2.59% and 2.05%, respectively. The difference between the estimates is partly associated with labor market and monetary policy assumptions. When combined, the average CPI-U estimates for both data providers are 2.49% for 2025-2026, and 2.15% for 2026-2027.

### Medical Consumer Price Projections

Legislative consultant Segal presented recommendations regarding health insurance contributions by school districts and by the DESE to the Arkansas Employees Benefits Divisions (EBD) during the House and Senate Education Committees' joint adequacy meeting on August 20, 2024. Segal's recommended approach to stabilizing health insurance costs with revenue over future years was to raise the districts' contribution amount for each employee to \$312 a month in calendar year 2025 with 4% increases in each subsequent calendar year. Calendar year 2026 would increase to \$324.48 per month per participating employee and calendar year 2027's rate would increase to \$324.48 a month. Because school districts are funded on a July-June fiscal year, these rates would be blended for the 2025-26 school year and beyond to account for the two different rates in each calendar year.

Meanwhile, the lump sum contribution from DESE would increase by 4% each year starting in fiscal year 2026. This yields a total funding amount of \$144.8M in calendar year 2025 - an increase from the \$142M in calendar year 2024.