

Economic Update

Utah State Board of Education

Economic Conditions, Operating Cost Pressures, and
Strategies for FY2028

October 1, 2026

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Today's Finance Outlook

From the economic outlook to practical FY2028 budget decisions

01

ECONOMY

National conditions and Utah revenue signals

02

INFLATION

Purchasing power and structural cost growth

03

THE WPU

How is inflation factored into the inflationary adjustment.

04

INFLATION EFFECTS

Effects of inflation on education.

05

CONCLUSIONS

Practical actions for FY2028 planning

The goal: Protect financial stability while maintaining service continuity.

National Growth Is Settling into a Moderate Pace

2.2%

MODERATE U.S. GROWTH CORRIDOR

Expansion continues, but
at a slower pace.

SUB-TREND NATIONAL GROWTH

Slower growth may moderate
corporate and individual
income-tax receipts supporting
the Utah WPU.

UTAH RESILIENCE, WITH A FISCAL LAG

Utah's job and population
growth remain comparative
strengths, while education
funding remains exposed to
national revenue conditions.

BUDGET IMPLICATION | Maintain conservative revenue assumptions while protecting flexibility.

Interest Rates Create Different Effects Across District (Overall) Finances

September 16 Fed action: target range increased 25 basis points to 3.75%–4.00%; borrowing and investment effects move through district budgets differently.



MUNICIPAL BORROWING

The Federal Reserve increased its policy target range yesterday. Longer-term municipal borrowing rates may remain elevated, continuing to shape debt-service costs for future school bonds.

PLANNING FOCUS | Update debt-service scenarios for the September rate increase.



CASH AND BUILDING FUNDS

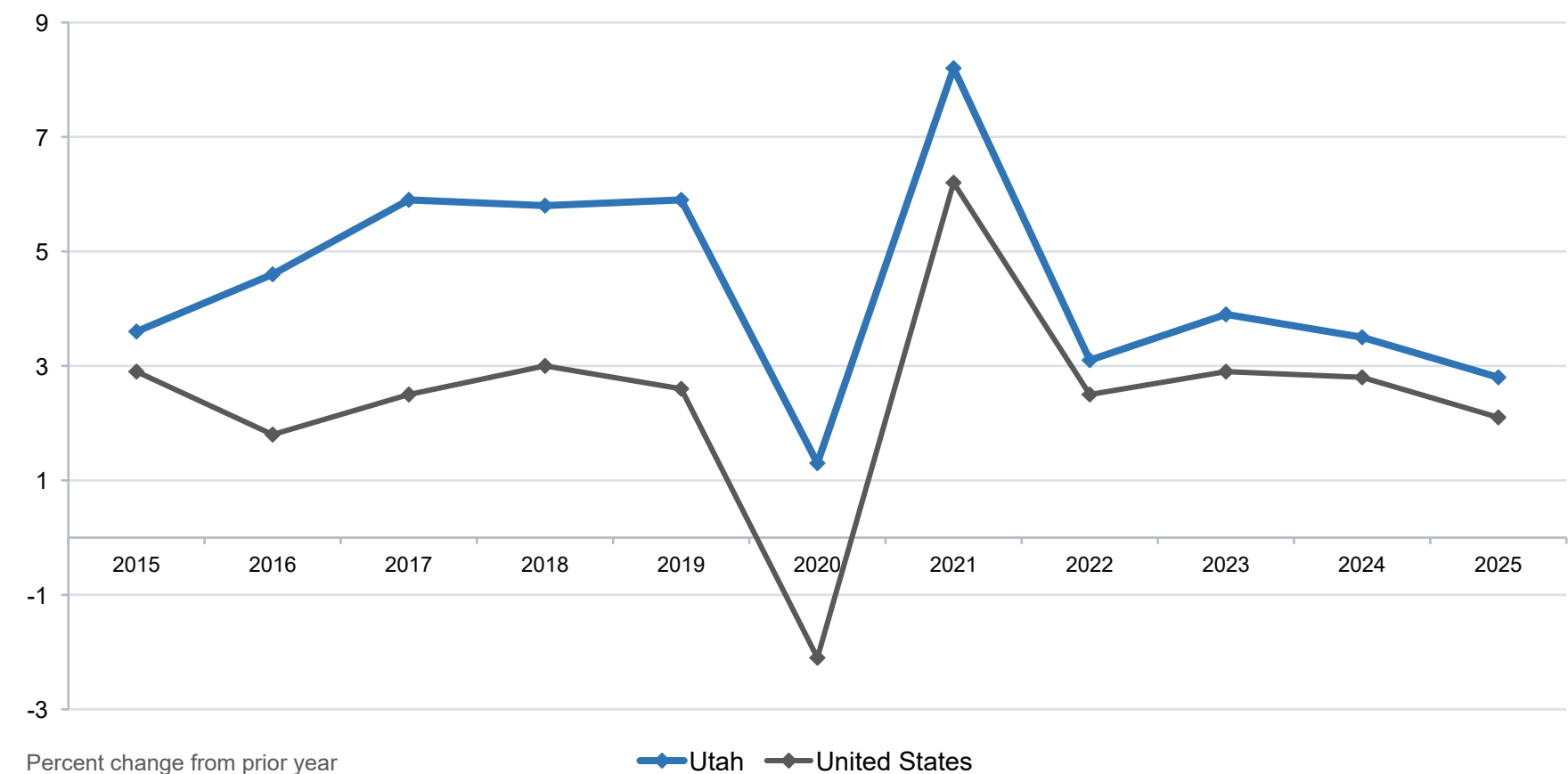
Higher short-term rates may continue to support earnings on district cash reserves and building funds, partially offsetting some capital-cost pressures.

PLANNING FOCUS | Align liquidity, investment policy, and project timing.

BUDGET (OVERALL) IMPLICATION | Monetary conditions are going to get tighter in the economy.

Utah Has Outpaced U.S. Real GDP Growth

Annual percent change in real GDP, 2015-2025



11 of 11
YEARS UTAH GREW FASTER
Utah exceeded U.S. growth in every year shown.

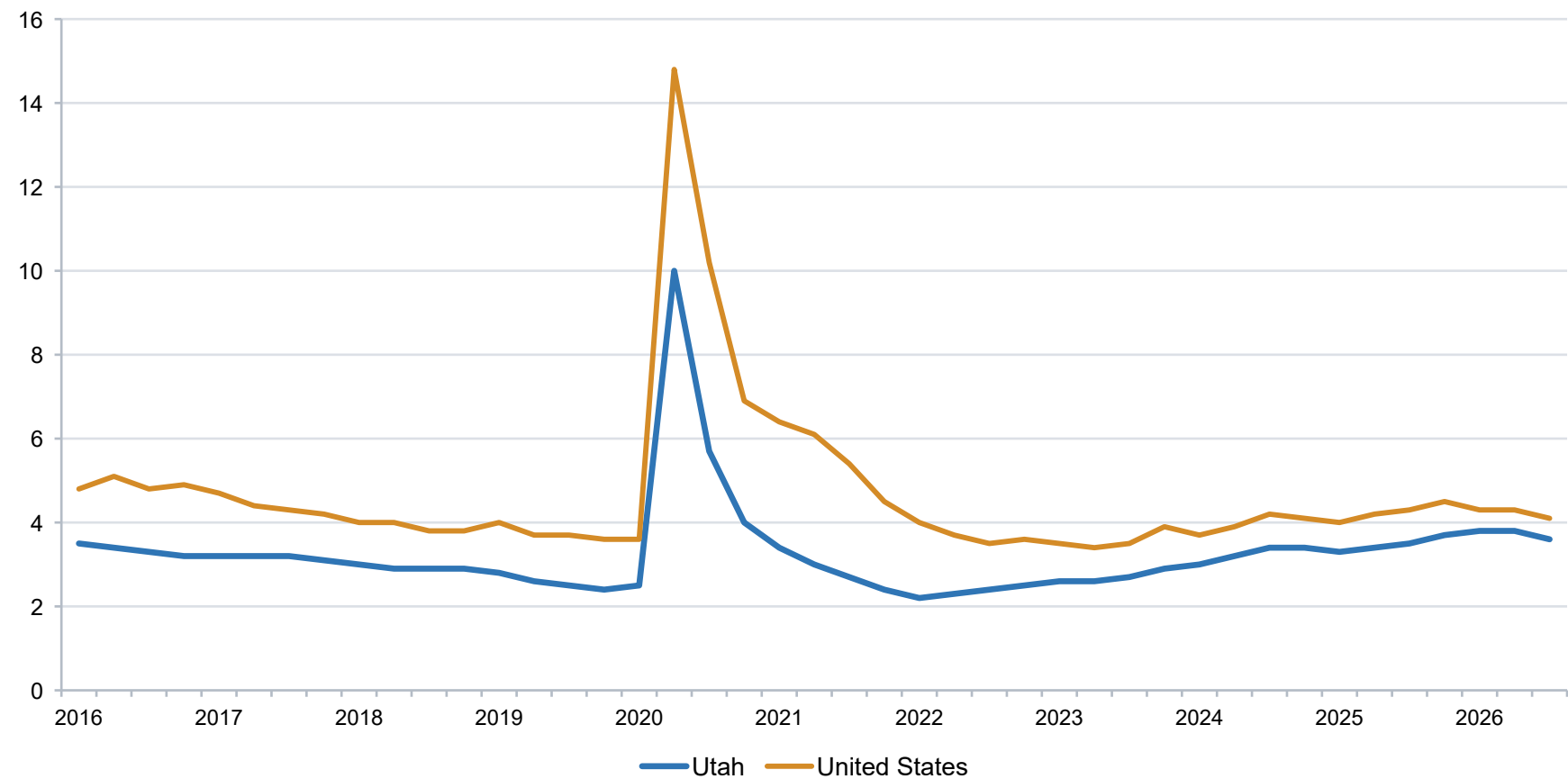
+1.9 pts
AVERAGE ANNUAL GAP
Utah averaged 4.4% versus 2.5% nationally.

2020
DOWNTURN RESILIENCE
Utah: +1.3%
U.S.: -2.1%

BUDGET IMPLICATION | Utah enters FY2028 with stronger recent growth, while remaining exposed to national revenue and inflation conditions.

Utah Unemployment Has Remained Below the U.S. Rate

Monthly unemployment rates, seasonally adjusted, January 2016-July 2026



3.6%

UTAH | JULY 2026

U.S.: 4.1%

1.4 pts

AVERAGE RATE GAP

Utah 3.2% vs. U.S. 4.6%

10.0%

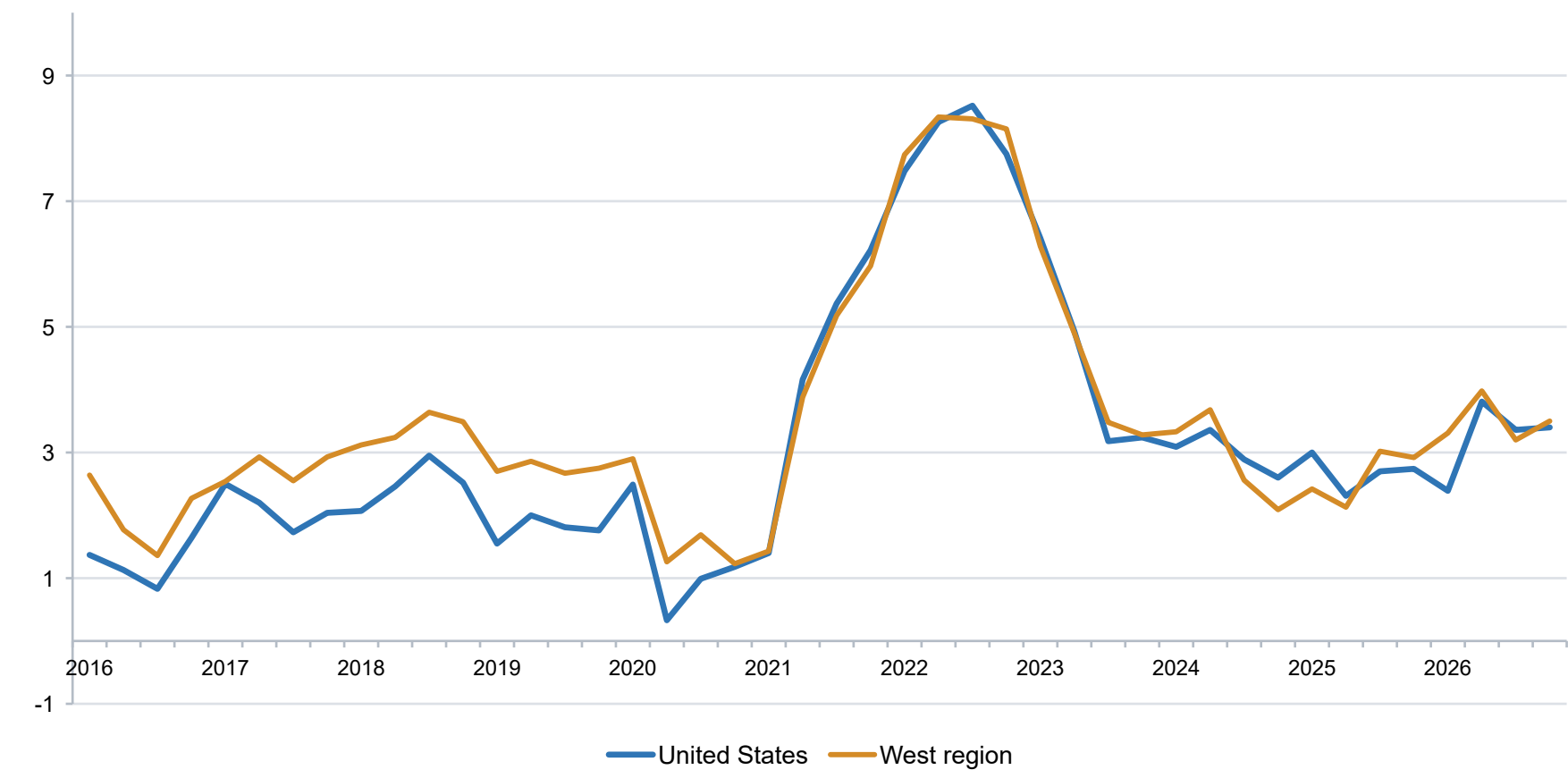
UTAH PANDEMIC PEAK

U.S. peak: 14.8%

BUDGET IMPLICATION | Utah’s tighter labor market supports household income while intensifying competition for district employees.

Western Inflation Has Broadly Tracked the National Cycle

12-month CPI change, U.S. city average and West urban region, January 2016-August 2026



3.4%
U.S. | AUG. 2026
West: 3.5%

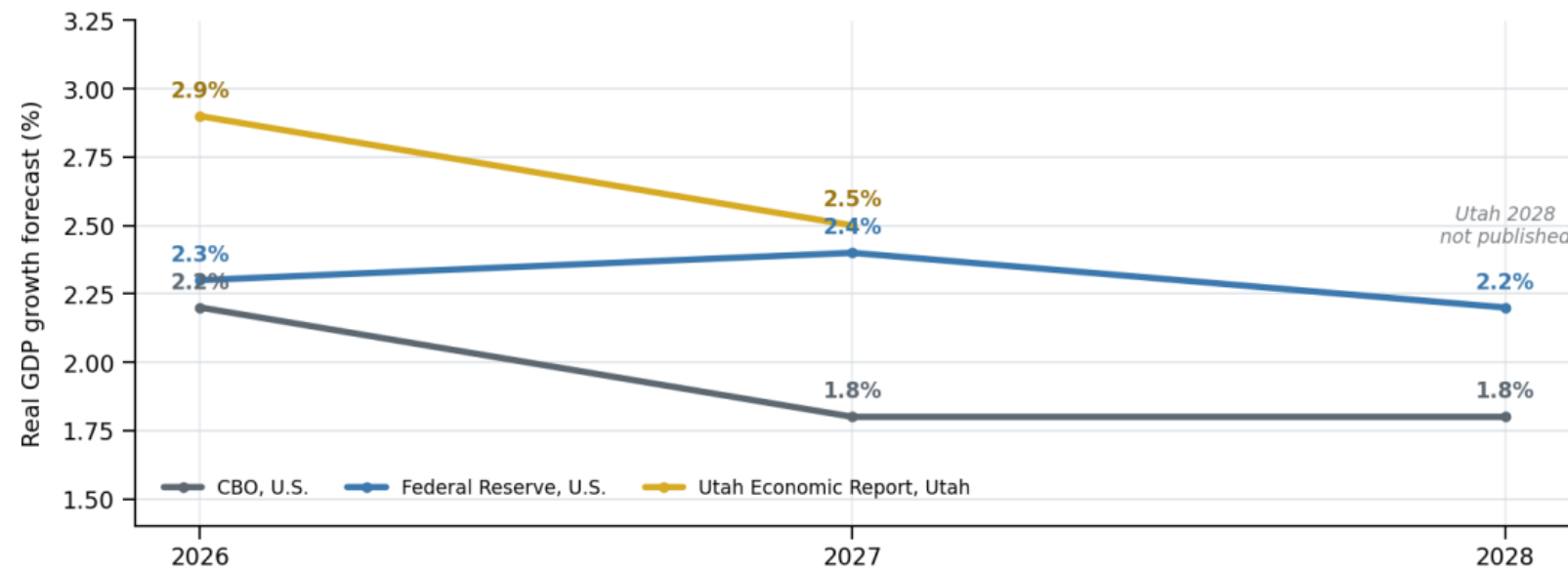
9.1%
U.S. CYCLE PEAK
West peak: 8.8%

+0.3 pt
AVERAGE WEST-U.S. GAP
West 3.5% vs. U.S. 3.2%

BUDGET IMPLICATION | Regional price pressure has followed the national cycle, but district cost categories may move differently from CPI.

Economic Growth Outlook Through the FY2028 Budget Horizon

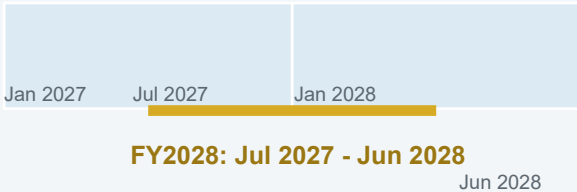
FY2028 spans July 2027 through June 2028, crossing two calendar-year forecast periods



FY2028 BUDGET WINDOW

CY2027

CY2028



Planning interpretation

Use CY2027 and CY2028 forecasts as context for FY2028. Do not relabel either calendar-year rate as an FY2028 rate.

Utah limitation

The located Utah source publishes 2026 and 2027 growth, but not a 2028 Utah real GDP forecast.

BUDGET SIGNAL | National forecasts remain positive through CY2028; Utah's published outlook extends through CY2027.

Inflation Persistence & Purchasing Power

Understanding why cooling headline inflation does not immediately restore district purchasing power.

01

PRICE MEASURES

Headline and core inflation can move differently.

02

STRUCTURAL COSTS

Labor, services, benefits, and utilities follow distinct pressures.

03

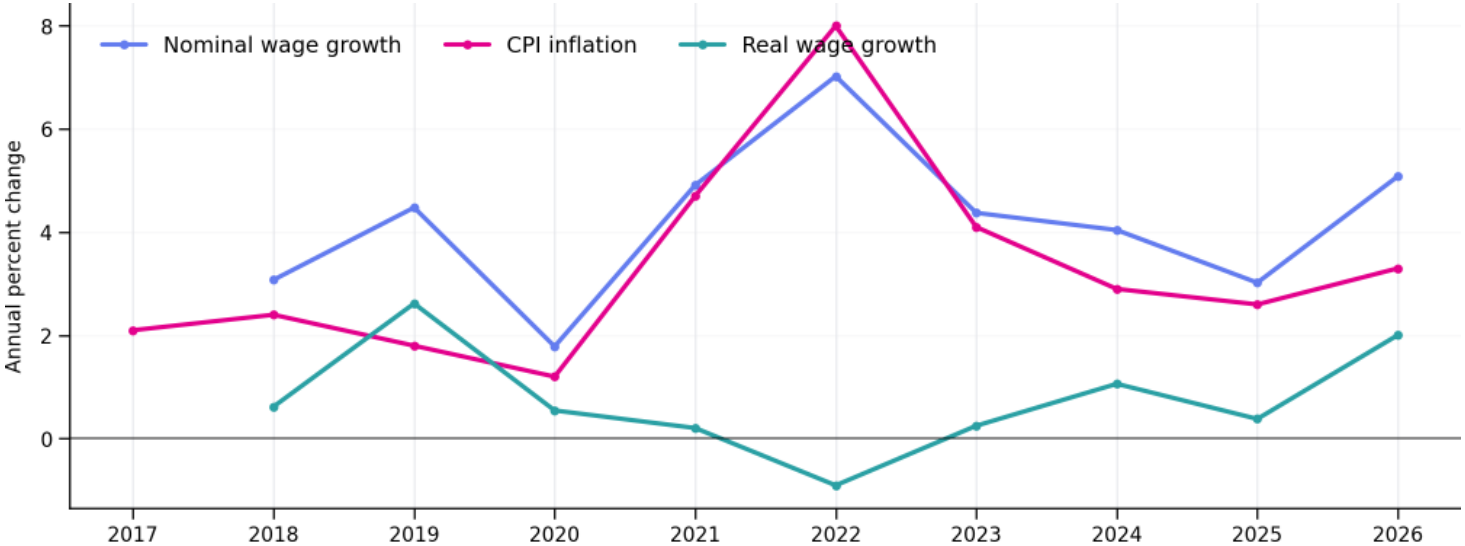
BUDGET EFFECT

Compounded increases can permanently lift operating baselines.

INFLATION: CONTINUES AND THE FEDERAL RESERVE RAISED RATES.

Nominal Wages Outpaced Inflation, but Real Gains Were Modest

Recent wage and price growth compared with longer-run U.S. benchmarks.



TAKEAWAY | Recent real wage growth exceeds its long-run pace, but the 2021–2022 squeeze remains highly salient.

Why Higher Nominal Pay May Still Feel Unaffordable

The distinction between prices, paychecks, and purchasing power helps reconcile the data with household experience.

WOLFERS ON AFFORDABILITY

“If prices double and your paycheck doubles, your purchasing power (and thus affordability) remains the same—even though the numbers on everything are larger.”

Justin Wolfers, “What the \$20 Burrito Debate Gets Wrong About Affordability,” Aug. 19, 2026

PRICES

What goods and services cost.

NOMINAL WAGES

How many dollars workers earn.

REAL WAGES

How much those dollars can buy.

PERCEPTION GAP | Wage gains and price increases are experienced as separate events, so a recovered real wage may not erase the memory of higher prices.

Price Measures Are Moving Differently

Latest CPI release: August 2026 data, published September 11, 2026.

3.4%

ALL ITEMS CPI

12-month change

2.4%

CORE CPI

Excludes food and energy

16.3%

ENERGY

12-month change

DISTRICT COST MIX

Labor, contracted services, utilities, and transportation do not necessarily follow the headline index at the same pace.

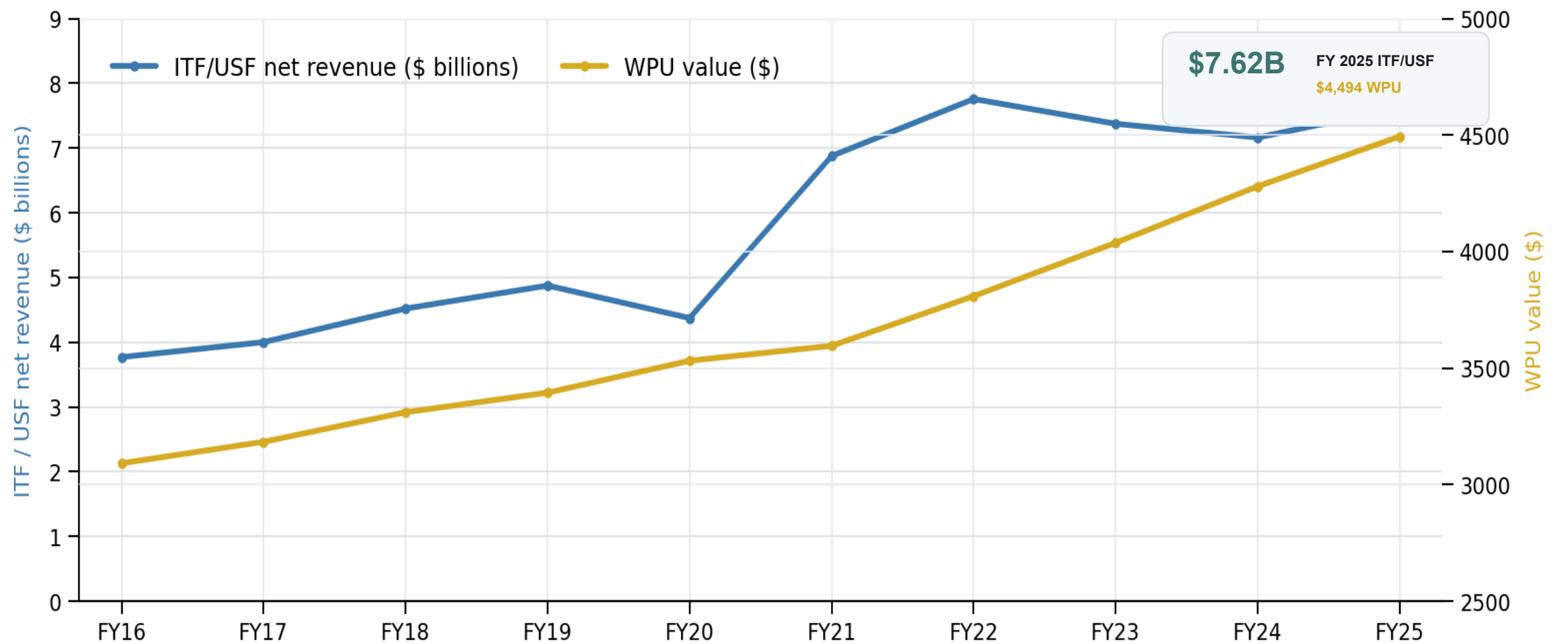
PURCHASING POWER

Annual budget adjustments should be evaluated against the cost categories districts actually purchase.

DISTRICT IMPLICATION | Should match inflation assumptions to the district's actual expenditure mix.

Income Tax Revenue Provides the Fiscal Base for WPU Growth (NOMINAL)

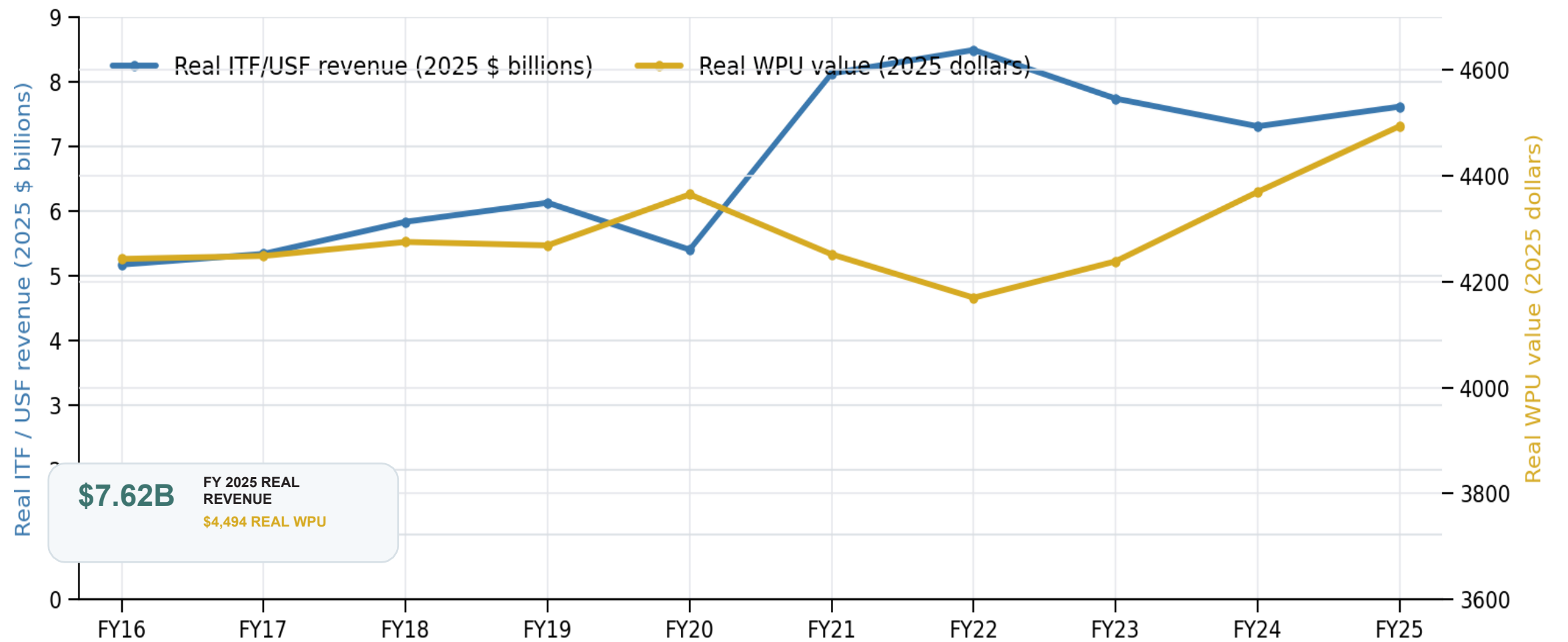
Annual Income Tax Fund / Uniform School Fund net revenue and WPU value, FY 2016-FY 2025



BUDGET IMPLICATION | Revenue is volatile across business cycles; WPU increases create recurring commitments.

Inflation-Adjusted Revenue and WPU Show Different Purchasing-Power Paths

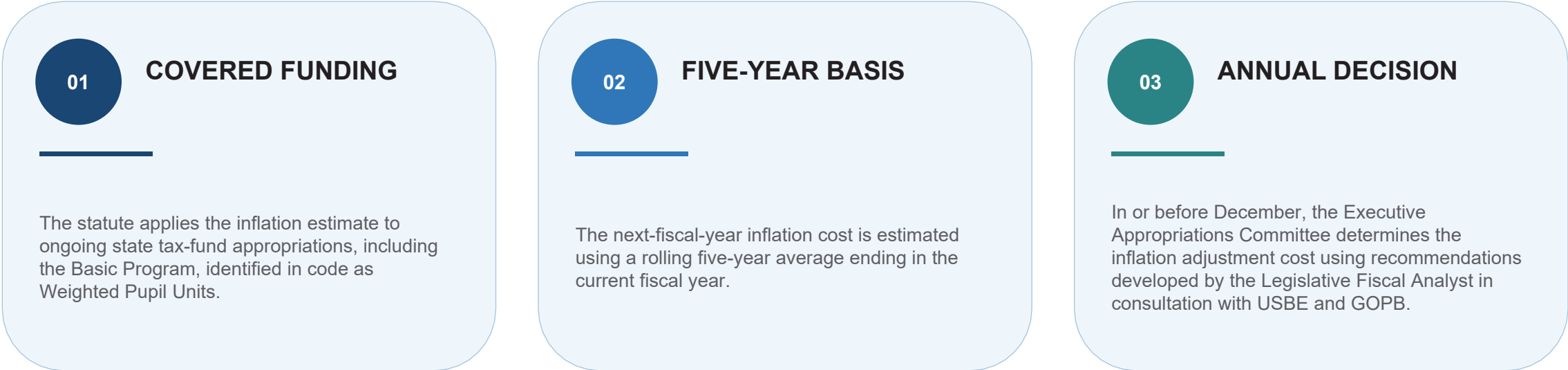
Income Tax Fund / Uniform School Fund net revenue and WPU value, expressed in constant 2025 dollars, FY 2016-FY 2025



BUDGET IMPLICATION | After inflation, revenue remains cyclical while WPU purchasing power changes more gradually.

How Utah Code Frames the WPU Inflation Adjustment

Utah Code § 53F-2-208 establishes the annual legislative process for estimating growth and inflation costs.



WPU CONNECTION | The estimate supports the inflation adjustment for Utah’s Basic Program (Weighted Pupil Units).

August CPI: Latest Observed Inflation Readings

The August 2026 release is the latest observed CPI information available for the WPU forecast update.

3.4%

ALL ITEMS

12-month change

2.4%

CORE CPI

12-month change

0.4%

ALL ITEMS

August monthly change

0.3%

CORE CPI

August monthly change

LATEST SIGNAL | Headline inflation held at 3.4%; core inflation eased to 2.4%.

Recent Five-Year Window: Preliminary Statutory Inflation Adjustment Forecast

The 2021–2025 estimation window places greater weight on the current inflation environment.

RECENT 5-YEAR WINDOW

2021–2025

3.90%

PRELIMINARY STATUTORY INFLATION ADJUSTMENT FORECAST

The recent-window estimate emphasizes the inflation experience most relevant to the current five-year statutory calculation.

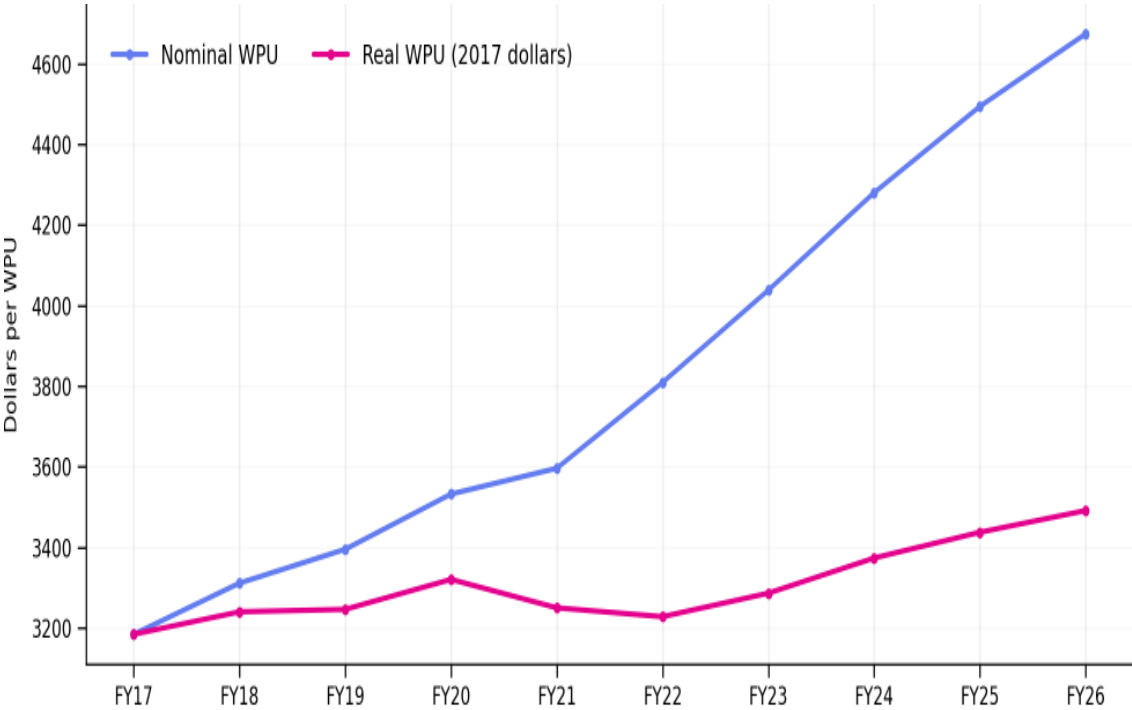
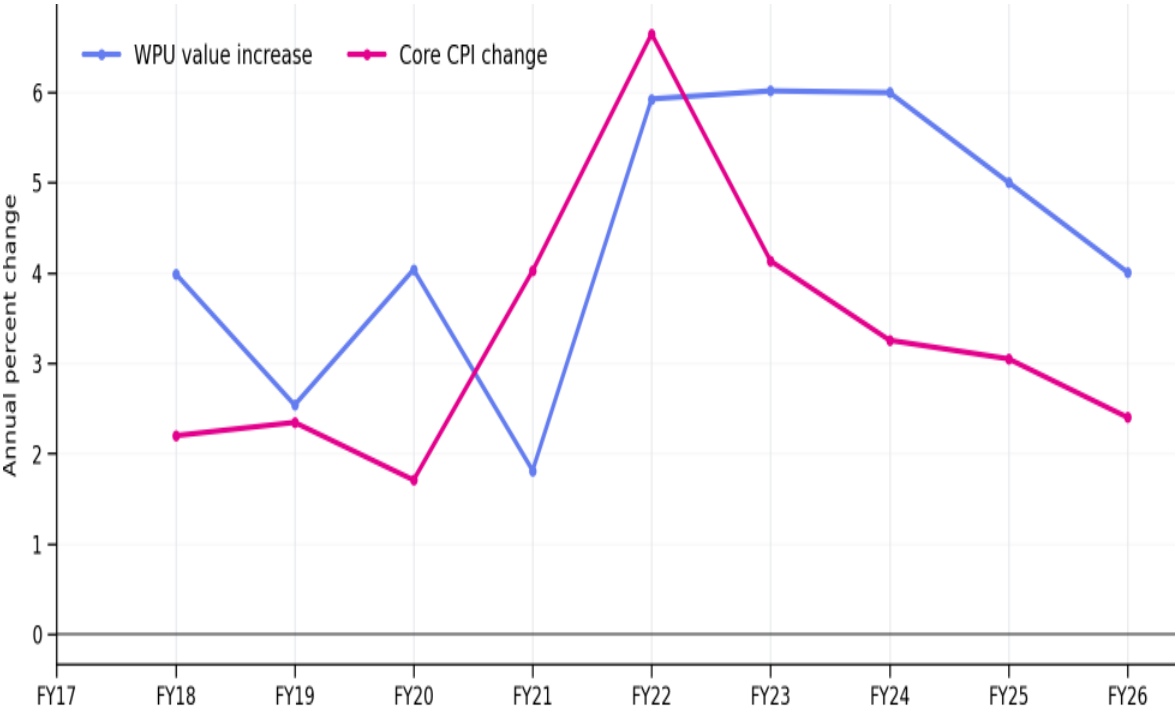
MODEL DIAGNOSTIC

MAPE: 0.76% | Applied proportionally to the 3.90% estimate, the diagnostic band is approximately 3.87%–3.93%.

PRELIMINARY RANGE | 3.87%–3.93% around the 3.90% estimate.

WPU Growth, Inflation, and Purchasing Power: FY2017–FY2026

Nominal WPU increases are compared with core inflation and an inflation-adjusted WPU measure.



READING THE CHART | “Real WPU” expresses each nominal WPU value in FY2017 purchasing-power dollars.

FY2026 CPI uses the latest August 2026 core 12-month rate as an illustrative estimate; FY2017–FY2025 use September core CPI.

What This Means for WPU Inflation Discussions

The statutory adjustment, operating-cost pressures, and household affordability answer related but different questions.

01

STATUTORY BASELINE

Utah Code § 53F-2-208 uses a rolling five-year inflation average for covered programs, including the Basic Program (Weighted Pupil Units).

02

OPERATING REALITY

A WPU increase can preserve purchasing power only to the extent that the adjustment keeps pace with the mix of wages, benefits, utilities, insurance, transportation, and other district costs.

03

COMMUNICATION GAP

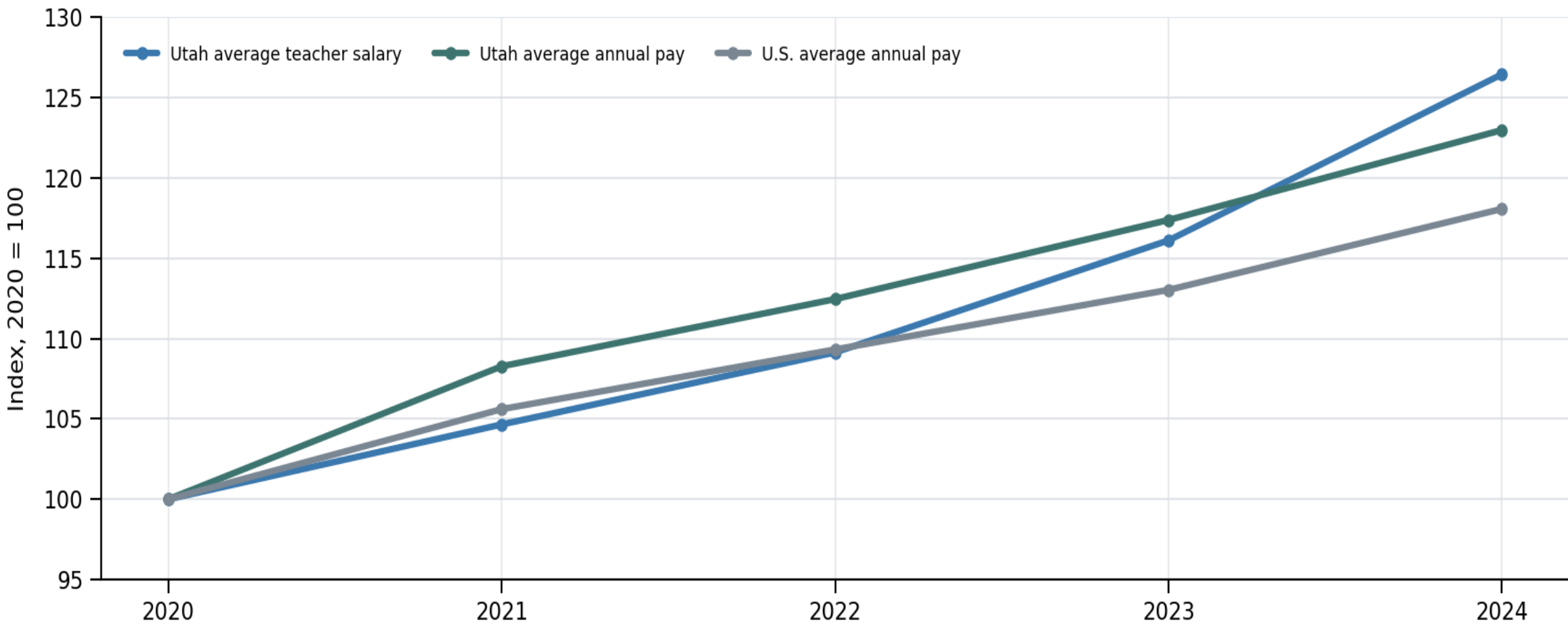
Even when the inflation rate moderates or real wages recover, families and employees still encounter a permanently higher price level. That can make an inflation-linked funding increase feel smaller than the percentage suggests.

KEY DISTINCTION | The WPU inflation factor is a funding benchmark. It is not a measure of household affordability or a guarantee that every district cost will rise at the same rate.

Use the wage-and-price evidence to explain purchasing power, while keeping the statutory WPU calculation analytically separate.

Teacher Salary Growth Outpaced U.S. Pay, but Trailed Utah Pay Growth

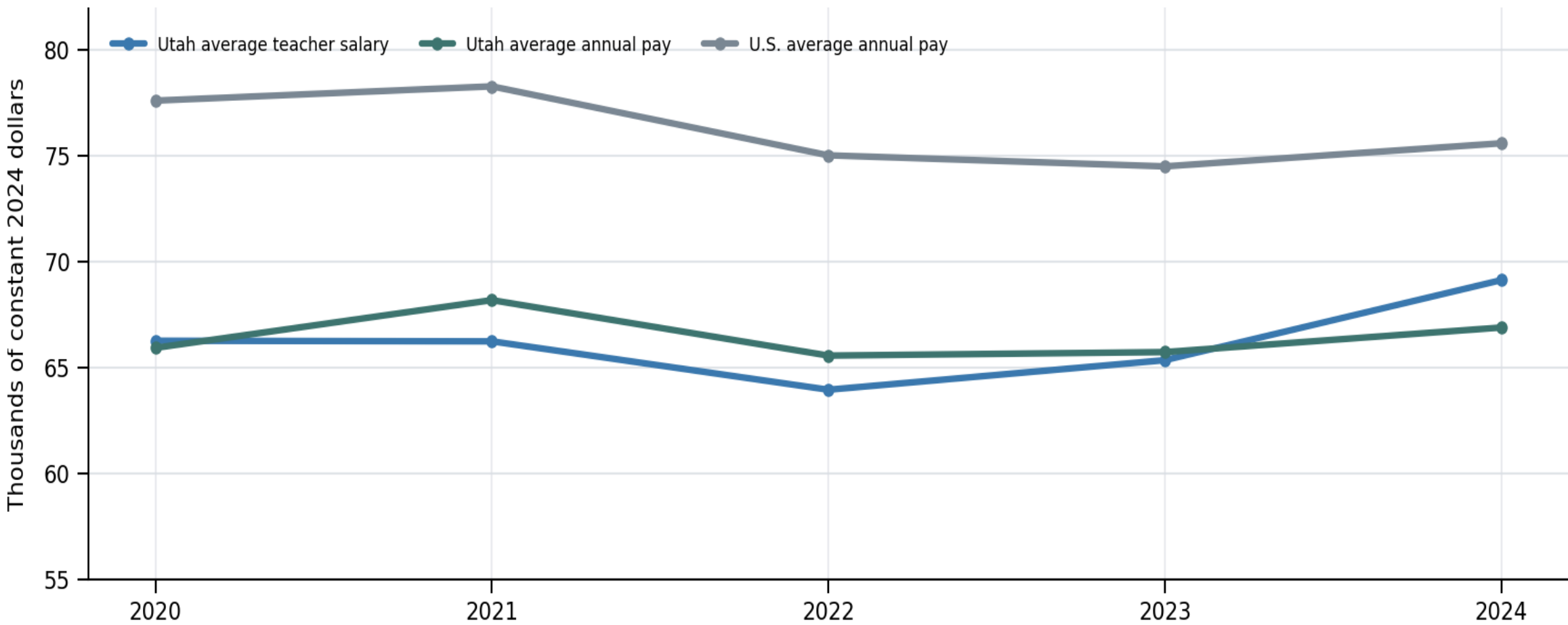
Verified annual series, 2020-2024; indexed to 2020 = 100



2020-2024 GROWTH | Utah teachers: 26.4% • Utah average pay: 23.0% • U.S. average pay: 18.1%

Inflation-Adjusted Teacher Pay Improved After 2022

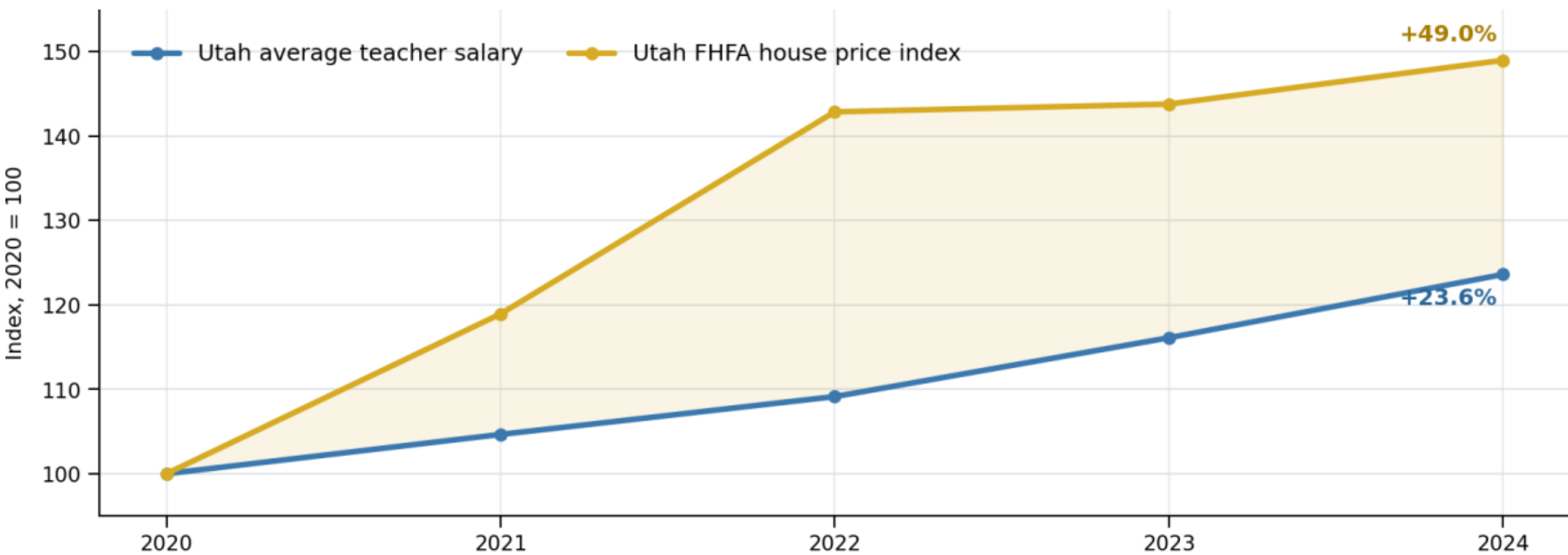
Verified annual series expressed in constant 2024 dollars, 2020-2024



INTERPRETATION | The lines compare average levels, not matched workers or total compensation including benefits.

Utah Housing Prices Have Outpaced Teacher Salary Growth

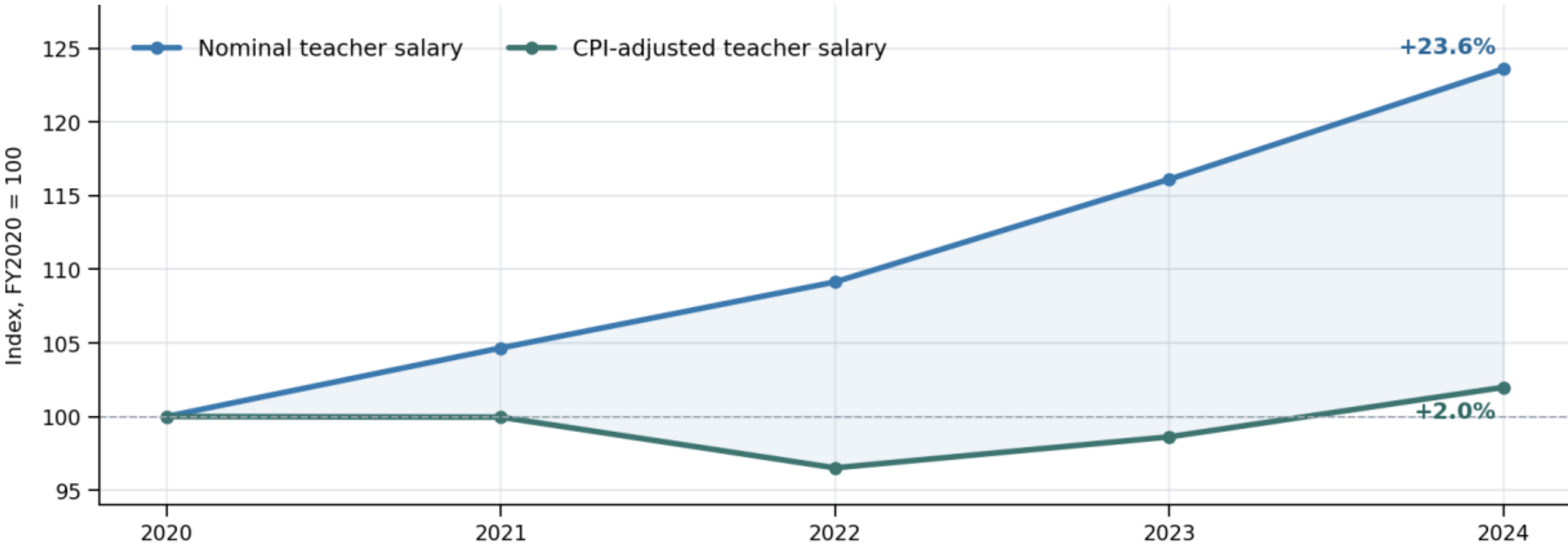
Utah statewide average teacher salary by fiscal year and annual-average FHFA HPI, 2020-2024; each indexed to 2020 = 100



HOUSING-COST PRESSURE | 2020-2024: Utah house prices +49.0% versus estimated average teacher salary +23.6%.

Recent Salary Gains Restored Teacher Purchasing Power After Inflation Losses

Utah statewide average teacher salary, nominal and CPI-adjusted, FY2020-FY2024 estimate; FY2020 = 100



PURCHASING POWER | FY2020-FY2024: nominal salary +23.6%; inflation-adjusted salary +2.0%.

FY2028 Planning Conclusions

A resilient economy provides a constructive starting point but purchasing-power and workforce pressures require disciplined planning.

01

ECONOMIC BASE

Utah enters the FY2028 budget window with stronger recent growth and lower unemployment than the nation, while remaining exposed to national conditions.

02

INFLATION REALITY

Inflation has moderated from its peak, but the higher price level remains embedded in district operating baselines and household budgets.

03

WPU INTERPRETATION

The statutory inflation factor is a funding benchmark. It does not guarantee that each district cost category will move at the same rate.

04

WORKFORCE PRESSURE

Teacher salary growth largely restored purchasing power, but housing costs rose substantially faster and continue to affect affordability.

BOARD TAKEAWAY

Protect purchasing power while preserving flexibility and long-term fiscal sustainability.

Planning focus: conservative revenue assumptions • expenditure-mix monitoring • workforce competitiveness

Thank You

Questions & Discussion

THANK YOU

Questions?

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