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The Effect of the Energy Boom on Schooling Decisions in the U.S.

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Selected Poster prepared for presentation at 2015 Agricultural & Applied Economics Association and Western Agricultural Economics Association Annual Meeting, San Francisco, CA, July 26-28

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The Effect of the Energy Boom on Schooling Decisions in the U.S.

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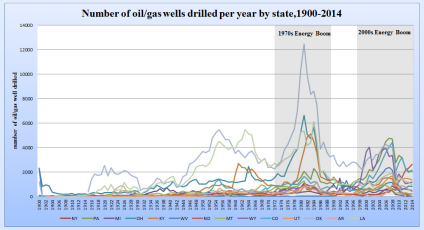
Motivation

- Shale gas and oil extraction has surged in the U.S. since late 1990s

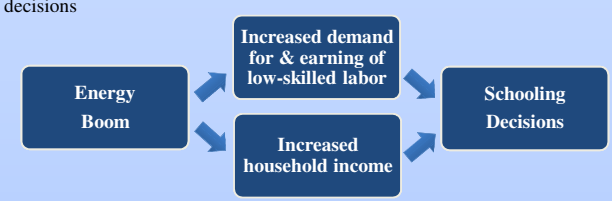


Source: Various state agencies, collected by author.

- Recent studies have documented the energy boom as a clear local economic shock
  - Increase in local employment and income (Weber 2012 and 2013)
  - Local labor market restructuring (Weinstein 2014)
  - No local Dutch Disease effects (Allcott and Keniston 2014; Fetzer 2014)
- The shale gas boom increases demand for and earnings of low-skilled labor, which could draw teenagers out of school
  - Significant counter-cycle correlations between energy boom/bust and schooling decisions during the oil shocks in 1970s to 1980s (Black, McKinnish, and Sanders 2005; Emery 2012)
- Human capital has long been recognized as an important factor for economic growth, and crowding out human capital development (e.g., education) may be major cause of the resource curse
  - E.g., Gylfason (1999), Stijns (2006), and Papyrakis and Gerlagh (2007)

Objective

- Quantify the impact of the energy boom on aggregate (county level) schooling decisions



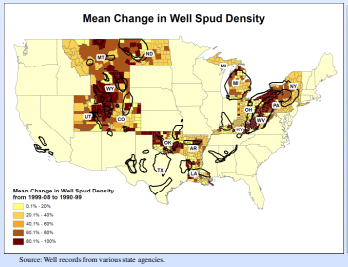
Data and Descriptive Analysis

- 1995-2010 annual data of 916 counties from 14 states
- Measures of aggregated schooling decisions at high school level
  - $G9\text{–}12\ Enrollment\ Rate_{ct} = \frac{G9\text{–}12\ enrolled\ students\ \#_{ct}}{Population\ of\ age\ 15\text{–}19_{ct}}$
  - The Average Freshman Graduation Rate (AFGR)

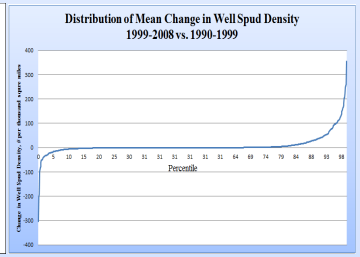
$$AFGR_{ct} = \frac{Regular\ High\ School\ Diplomas\ Awarded_{ct}}{Enrollment\ in\ (Grade\ 8_{c,t-4} + Grade\ 9_{c,t-3} + Grade\ 10_{c,t-2})/3}$$

  - Source: Author's calculations based on data from the Common Core of Data (CCD), the National Center for Education Statistics (NCES)

- Measures of the shale energy boom: well spud density
  - The number of oil/gas wells drilled per thousand square miles, county-by-year
  - Source: Comprehensive well records requested from state agencies, such as Dept. of Natural Resources – Oil and Gas Resources, Dept. of Environmental Conservation or Protection, State Oil and Gas Conservation Commission and so on.



Source: Well records from various state agencies.



Source: Well records from various state agencies. .

- Control the confounding factors
  - Variables on schooling conditions (the NCES)
  - Variables on county characteristics, including county economic and demographic conditions (source: U.S. Census Bureau).

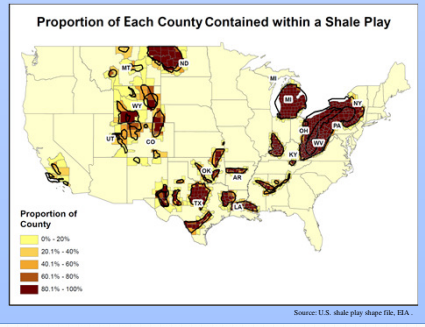
Method and Identification

- Well spud density is better for identifying the boom, compared to oil/gas production
  - Labor requirements are highest during the active drilling years and largely are driven by the number of wells drilled per year (Brundage et al., 2010; Kelsey et al., 2011)
  - Production lags the construction periods
- Further instrument well spud density with the interaction of exogenous geological characteristics, e.g., the proportion of county covering a shale play, and the world energy price index.
- Model specification

(1) $Y_{ct} = \beta_0 + \beta_1 \widehat{well}_{ct} + \beta_3 (\widehat{well} * MHHInc)_{ct} + \boldsymbol{\gamma}' \boldsymbol{X}_{ct} + s_c + \lambda_t + \varepsilon_{ct}$

(2) $well_{ct} = \alpha_0 + \alpha_1 shale_{ct} + \boldsymbol{\delta}' \boldsymbol{X}_{ct} + s_c + \lambda_t + u_{ct}$

- Y is two measures of schooling decisions: G9-12 enrollment rate and the AFGR
- $well$ is well spud density, measuring the number of wells drilled per thousand square miles
- $shale$ is the proportion of county covering a shale play multiplied by annual world energy price index.
- $MHHInc$ is median household income in thousand dollars; $\boldsymbol{X}$ is a matrix of control variables
- c and t refer to county and year; s_c and λ_t are state and year fixed effects



Source: U.S. shale play shape file, EIA.

Primary Results

	AFGR (all sample)		AFGR (non-zero well spud)		G9-12 Enrollment Rate (all sample)		G9-12 Enrollment Rate (non-zero well spud)	
	OLS	IV	OLS	IV	OLS	IV	OLS	IV
Well Spud Density	**0.0472**	**-0.957****	**-0.123**	**-1.083****	**0.423*****	**0.518**	**0.239***	**1.160**
Well Spud Density× Median HH Income	**-0.0168**	**0.350*****	**0.00702**	**0.340****	**-0.0712***	**-0.151**	**-0.0269**	**-0.248**
Median HH Income	0.0237***	0.0248***	0.0239***	0.0118	0.0732***	0.0681***	0.0851***	0.0997***
Pupil Teacher Ratio	-0.132***	-0.155***	-0.470***	-0.463***	0.0650	0.150	-0.0651	-0.0189
%School Revenue from Local	0.0638***	0.0466**	0.0609***	0.0380	-0.355***	-0.346***	-0.287***	-0.352***
%El-Sec Spending	0.000740	0.00200	-0.0118	-0.00750	-0.0423	-0.0434	0.0156	0.0217
Unemployment Rate	0.241**	0.284**	-0.172	-0.198	2.130***	2.229***	1.719***	1.682***
Poverty Rate	-0.555***	-0.501***	-0.492***	-0.484***	-0.512***	-0.625***	0.0425	-0.0381
Earn per Job	-0.00119	-0.00328	-0.00883**	-0.0120***	0.0378***	0.0346***	0.0585***	0.0599***
Population Density	-0.0372***	-0.0332***	-0.0283***	-0.0127	-0.0302***	-0.0178	-0.0206**	-0.0310**
%Black	-0.105***	-0.106***	-0.131***	-0.146***	-0.329***	-0.330***	-0.660***	-0.617***
%Hispanic	-0.113***	-0.107***	-0.283***	-0.318***	-0.105**	-0.0501	-0.203***	-0.0720
%Senior	0.670***	0.661***	0.554***	0.509***	2.283***	2.391***	2.453***	2.675***
Violent Crime Rate	-0.455***	-0.551***	-0.0401	-0.188	0.780***	1.150***	0.529***	0.611***
Property Crime Rate	-0.0209	-0.00557	-0.0475**	-0.0240	-0.121***	-0.156***	-0.116***	-0.134***
Constant	4.284***	4.265***	4.416***	4.468***	3.771***	3.659***	3.557***	3.320***
Number of Obs.	9441	8551	4445	4036	9723	8549	4564	4035
adj. R^2	0.292	0.262	0.390	0.355	0.254	0.250	0.285	0.279
F-stat at first stage		41.78		27.08		41.78		21.08

Note: "All sample" refers to all observations in the sample;" non-zero well spud" refers to observations with well spud density not equal to zero; OLS columns report the results of pooled OLS estimation of equation (1); IV columns report the 2SLS estimation of equation (1) and (2); state and year fixed effects are included in all estimations; * $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$; robust standard errors are not reported.

Primary Conclusions and Further Work

- The recent shale energy boom negatively affects the high school graduation rate, measured as the Average Freshman Graduation Rate (AFGR), but shows no significant effect on grade 9 to 12 enrollment rate
- The impact of the shale energy boom on the AFGR is conditional on the income level of sample counties: higher drilling rates reduce the AFGR more in counties with lower median household incomes.
- The negative effect on the AFGR is bigger in drilling counties, which in turn requires a higher income level to overcome the negative effect.

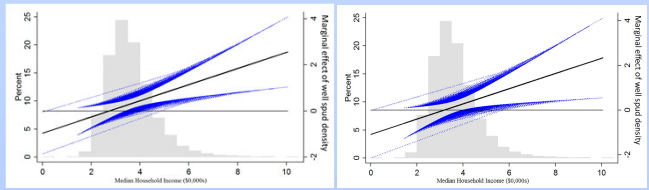


Figure: Conditional Marginal Effects of Well Spud Density on AFGR, IV models
All sample (left) vs. non-zero well spud subsample (right)

- Further work: include county fixed effects, gender heterogeneity, and spatial analysis to refine model specification; exclusion of private schools and migration effects could bias the results.

Acknowledgements and Contact

The authors acknowledge the Student Sustainability Council and Dept. of Agricultural Economics at University of Kentucky for financial support in this study and conference travel, and Jerrod Penn for helping with maps in the poster.

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