



## ENERGY: Wholesale Electricity Prices Turn Negative in Texas

**W**holesale electricity prices in Texas have dipped below zero several times since last year. Utility companies actually paid operators of the electricity grid to take power off their hands for hours at a time.

Despite being fairly rare elsewhere, negative prices are becoming more common in Texas. When utilities generate more electricity than is demanded, wholesale prices can turn negative. It often costs a firm more to shut down generators than to pay to get rid of excess power for short periods. Costs to start and stop output are especially high for coal, nuclear and natural gas plants.

Texas electricity companies compete in a deregulated marketplace, and the state often has more capacity than is needed to meet quantities of electricity demanded. When wind generation surges during hours of low demand, wholesale prices can freefall because excess electricity cannot be easily and affordably stored. Negative pricing hours jumped from a recent record of 59 hours in 2015 to 85 through early April this year in Houston, according to data from the Electricity Reliability Council of Texas.

As electricity demand reaches the summer peak, it is unlikely that prices will continue to fall below zero. Nevertheless, new and planned capacity additions—including several wind plants—will put downward pressure on power bills and reduce the likelihood of brownouts this summer.

—Navi Dhaliwal



## OUTPUT: Low Oil Prices Depress Energy States' GDP Growth

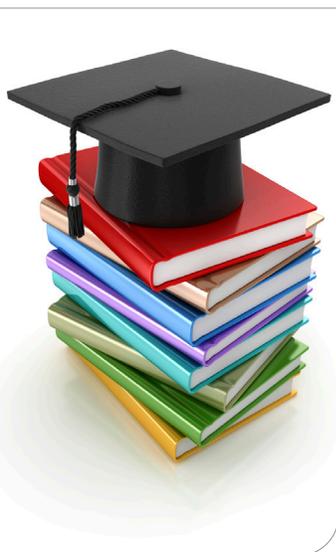
**E**nergy states posted slower, or even negative, real (inflation-adjusted) gross domestic product (GDP) growth in 2015 after several years of fast-paced expansion during the oil boom. West Virginia experienced a 2.1 percent year-over-year output decline through third quarter 2015, while North Dakota slid 2.0 percent.

Other states continued growing but at a significantly slower pace. Wyoming's GDP growth fell almost 6 percentage points to 0.7 percent, and Oklahoma declined 3.6 percentage points to 0.4 percent, according to the Bureau of Economic Analysis.

Texas' real GDP expanded 2 percent year over year through third quarter 2015, falling just short of the comparable 2.1 percent U.S. growth rate and less than half of the state's 2014 performance of 4.5 percent.

Texas' large diversified economy has insulated the state against the energy shock's full impact. For example, Texas and North Dakota had similar exposure to mining—14 percent and 16 percent of GDP—before the energy collapse. However, North Dakota's mining sector employed far more of the state's workers—6.5 percent versus 2.7 percent for Texas in 2014—which deepened North Dakota's downturn. Moreover, severance taxes from oil and gas extraction made up 54 percent of North Dakota taxes versus 11 percent for Texas, according to the 2014 Annual Survey of State Government Tax Collections.

—Sarah Greer



## EDUCATION: Texas Ranks High in H.S. Graduates, Lags in College Prep

**T**exas' public school graduation rate in 2014 was 88 percent, ranking third nationally and well above the U.S. average of 81 percent. The state led in Hispanic graduation rates, 86 percent, and ranked second in its shares of black students, economically disadvantaged students and students with disabilities graduating. These rates for Texas have steadily increased in recent years.

State officials have credited their success in raising graduation rates to reforms that include teacher incentive pay, school supply reimbursement, teacher mentoring, higher testing standards for students and more rigorous teacher performance evaluations.

Critics claim that the increase in graduation rates may be misleading because students who are likely to drop out are overrepresented among those pupils counted as transferring to private schools or home schools or leaving the country. The current measure excludes these students, pushing up graduation rates.

Higher graduation rates do not necessarily equate to increased college readiness. Texas ranked below the 2014–15 national average on the SAT (Scholastic Aptitude Test), according to the College Board, which administers the exam. Texas also ranked slightly lower than the nation on the ACT (American College Testing) benchmark, which students should meet or exceed to be considered prepared for college.

—Emily Gutierrez