

After global warming study is questioned, lawmakers step in

Timothy Sandoval, California Watch, 6-1-10

A bill that would require state-funded academic research to meet “minimum academic standards” may not be able to quell substandard public policy studies from entering policy debate, according to some experts.

The bill, AB 2656, which passed through the Assembly last week, would require that California universities develop minimum academic standards for professors or administrators doing research that is funded by the state.

Assemblyman Kevin de León, D-Los Angeles, authored the bill after two controversial academic studies were released by Sanjay Varshney, dean of the College of Business Administration at CSU Sacramento, and Dennis Tootelian, a business administration professor at Sacramento State.

One study predicted staggering costs on small businesses because of AB 32, California’s climate change legislation. Using the report, business groups and Republican candidates are now claiming that California’s carbon regulations will cost the state as many as 1.1 million jobs. A second Varshney-Tootelian study concluded that the annual economic cost of all state regulations was \$493 billion, or 3.8 million lost jobs.

After the reports came out, De León asked the state Legislative Analyst’s Office to examine the methodology of the studies. The result was not pretty. The LAO concluded that the studies had “major problems” and were “unreliable.” On the regulations study, the LAO wrote: “Our review of this study indicates that it contains a number of serious shortcomings that render its estimates of the annual economic costs of state regulations essentially useless.”

The LAO review came after other critiques from UCLA, Stanford University, Tufts University, and the private economic consulting firm Beacon Economics, which all reached similar conclusions about the studies. James Sweeney, energy efficiency expert at Stanford University, said the AB 32 report was “highly biased” and “based on poor logic and unsound economic analysis.”

Varshney and Tootelian stand by their studies. In a March statement, they said:

We stand by the findings of our research, and emphasize that the costs of AB 32 are materializing quickly as utilities announce sky-high rate increases, and still the economic benefits of AB 32 are yet to be seen. In this way, the facts are supportive of our research predictions. ... Rather than question the logic behind the AB 32 or cost of regulations studies or attack their reliability, critics should talk to small businesses about the current economic challenges confronting California. Small business owners and the Legislative Analysts’ Office all agree that AB 32 will cost Californians their jobs, the question is really about the degree and how many will be lost.

Some are skeptical that the de León bill would be able to change much, because the Varshney and Tootelian study on AB 32 was funded by the Small Business Roundtable and not the state. The study of California’s regulatory climate was, however, funded through Gov. Arnold Schwarzenegger’s Office of Small Business Advocate.

Critics of the professors say the university’s reputation was damaged by the controversy, even though the global-warming study was conducted through Varshney’s private consulting firm. Economist Chris Thornberg

told the Hornet, the university's newspaper about Varshney: "For a guy who purports to be a professor, this is an embarrassment to himself and an embarrassment to the school."

But Barbara O'Connor, director of Center of Politics and Media at Sacramento State, said the de León bill was most likely a way for Democrats to call attention to a bad policy study, and rebuke those who touted it.

O'Connor said that the bill could raise issues of academic freedom.

"The minute you get into what a study says, you get into issues of academic freedom," O'Connor said. "It's just going to be the standards police. We already have professors leaving the state, and this would cause more to leave."

Dan Reeves, de León's Chief of Staff, said that although the bill would not have been able to stop the Varshney and Tootelian study on AB 32, it has still sparked a much-needed conversation across California college campuses.

"There should be a dialogue going on with the academic senates of universities to make sure professors meet minimum academic standards," Reeves said. "When we pay for a report, it should be worth more than the paper it is written on."

Meanwhile, those who want to suspend AB 32 are still touting the Varshney and Tootelian study on AB 32. The website of the California Jobs Initiative - the November initiative which would suspend the state's global-warming regulations until unemployment falls to 5.5 percent - still cites the job numbers from the study.

And Meg Whitman, who supports suspending AB 32 for one year, has cited the study in a policy agenda pamphlet for voters released in March.

Anita Mangels, a spokeswoman for the California Jobs Initiative, said she saw no problem with using the numbers from the Varshney-Tootlian study, despite the criticism. She said the Varshney study is only one of many studies that show problems with AB 32.

"The fact remains that there is no argument that there will be job losses" because of AB 32, Mangels said.

An LAO report released in March said that AB 32 would lead to net job losses in the near term. In the long term, the impact was unknown. Another LAO report, released in May, said climate change regulations could lead to higher prices for goods and services, and lower business profits, if the state implements the law without other states participating. The effects on the economy in the longer term are unknown, but are likely to be relatively modest, according to the report.