



**WEEKLY UPDATE  
APRIL 21 - 27, 2024**

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**THIS WEEK'S HIGHLIGHTS  
ALL MEETINGS ARE AT 9:00 AM UNLESS OTHERWISE NOTED**

**Board of Supervisors Meeting of Tuesday, April 23, 2024 (Scheduled)**

**Item 2 - Request to approve the employment agreement of Matthew Pontes to serve as the County Administrative Officer.** The Board is set to approve the contract for the new County Administrator, Matthew Pontes. The Board letter states that it went through a lengthy recruitment process and examined a number of candidates. Matt Pontes has extensive private and public sector experience, including work in the timber industry, as CEO of Shasta County, and as an Assistant CEO in Santa Barbara County. Santa Barbara County sources are very positive on Matt's tenure there. The write-up states in part:

*In May 2023, following the departure of a former CAO, the County Human Resources Department engaged CPS HR Consulting, a recruiting firm, to conduct a nationwide search for the next CAO. After an extensive selection process involving a preliminary evaluation of candidates by a recruiter, an interview with 18 department heads, and multiple rounds of interviews by the Board of Supervisors in closed session, Matthew Pontes emerged as the clear frontrunner.*

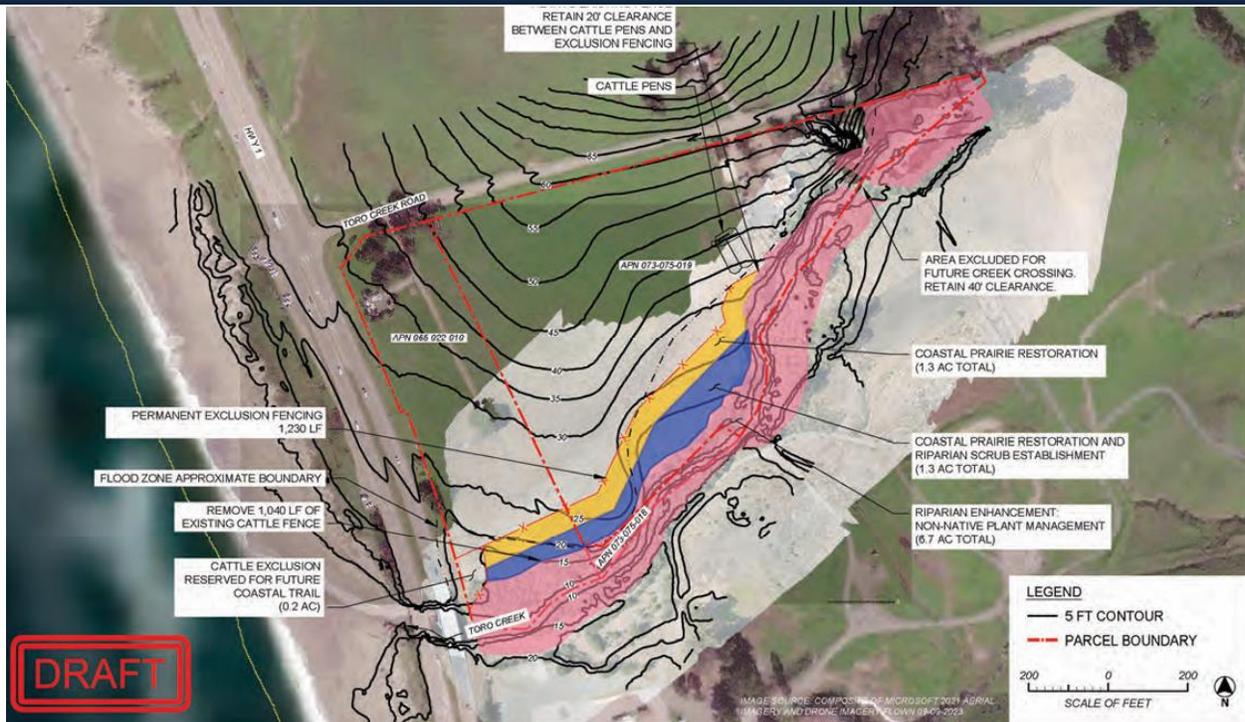
*As a Cal Poly alumnus and Central Coast native with 23 years of experience in county government service, Mr. Pontes is uniquely suited to be the next leader of San Luis Obispo County. Mr. Pontes previously served as the Shasta County Executive Officer until 2022. Before that, he served as the Assistant County Executive Officer in Santa Barbara County. Mr. Pontes also held many leadership roles for Santa Barbara and Kern Counties, overseeing critical functions in General Services, including Planning and Development, Public Works, Parks, Information Technology, Housing and Community Development, Library Services, Arts and Culture, Capital Projects, Facilities Maintenance, and Emergency Management, with a focus on enhancing community resilience and well-being.*

*The adopted FY 2023-2024 budget includes the CAO position. The salary range for the County Administrative Officer is \$241,841 to \$308,651 per year. Mr. Pontes will start at Step 5 of the salary range for this position which equates to an annual salary of \$293,946 and \$126,023 per year in benefits. Except as noted herein, Employee shall receive the same benefits that are provided to general management employees (payroll unit BU09), and in accordance with the applicable San Luis Obispo County Code Sections(s) 2.48.180 and 2.48.034. Sufficient funds exist in the Administrative Office budget to cover these expenses.*

Note that the hiring process included having the finalists go through a group interview with all the current Department Heads. This again reflects the current local government trendology of a team approach to management. Who protects the public, especially the taxpayer, from the team?

**Item 13 - Request to: 1) adopt a resolution to acquire real property located in the unincorporated area of the County situated between Morro Bay and Cayucos, 2) find the project exempt from Section 21000 et seq. of the California Public Resources Code (CEQA), 3) authorizing a grazing lease amendment associated with property, 4) authorizing a residential lease associated with the property, and 5) approve a corresponding budget adjustment in the amount of \$1,221,850 in Contributed Capital revenue to Capital Outlay. Actions 1, 3, 4 and 5 by 4/5 vote.** The subject property will be acquired by the County through donation from the Land Conservancy, with funding secured from private fundraising efforts (\$650,000), the Cayucos Land Conservancy (\$271,850), and mitigation related funding from the California Department of Transportation (\$300,000) to cover other escrow and title costs. No General Fund support will be required for the purchase of the subject property. The Land Conservancy will enter escrow with their acquisition funding sources. The property will be assigned to the County at close of escrow, by the end of June. The acquisition value is \$1,221,850.

**DEED RESTRICTION EXHIBIT MAP**



The County has desired to purchase the property as part of a long range plan of interconnected coastal properties and trails. Taking \$1.25 million off the tax rolls will forego \$12,500 of annual property tax if the land were sold privately, or \$125,000 over ten years. If the property could have been sold for a visitor-serving use and then developed, it might have a property value worth \$3.5 million with an annual property tax of \$35,000, or \$350,000 over ten years. This does not count any sales tax or hotel tax that might also be generated. The County has no funding presently or in the foreseeable future to develop the site as a park or even passive use.

**Item 28 - Hearing to consider a request by Dana Reserve, LLC and NKT Development, LLC (Applicant) for the adoption of 1) the Dana Reserve Specific Plan (DRSP); 2) a Vesting Tentative Tract Map (Tract 3159); and 3) a Conditional Use Permit for Oak Tree Removal and Grading/Impervious Surfaces. The DRSP would allow for the phased development of a 288 acre master-planned community with up to 1,370 residential units, 110,000-203,000 square feet (floor area) of commercial and non-residential (Visitor Serving/Hotel, Education) uses, a minimum of 55.6 acres of open space and 6.3 acres of recreation, and related circulation and infrastructure.** The project is the largest housing development proposed in the County in decades. It also contains space for commercial, educational, and recreational facilities. It is located on the west side of US Highway 101 a few blocks south of the interchange with Willow Road in Nipomo. The Planning Commission reviewed the project and voted 4/1, Commissioner Wyatt dissenting, for the Board of Supervisors to approve the project. Two days have been set aside for Board of Supervisors consideration and action, due to the relatively large size of the project (for SLO County) and the existence of both considerable public support and considerable public opposition.

The matter is specially noticed with the proviso:

*IF ITEM NO. 28 IS NOT CONCLUDED ON TUESDAY, APRIL 23, 2024, THE HEARING WILL BE CONTINUED TO WEDNESDAY, APRIL 24, 2024, AT 9:00 AM.*

*ITEM NO.30,BOARD COMMUNICATIONS, WILL TAKE PLACE AFTER THE CONCLUSION OF ITEM NO. 28.*

It is expected that many individual citizens and organizations will turn out to attempt to influence the Board of Supervisors to approve, modify, or reject the project.

**COLAB supports the project:**

- It provides sorely needed homes for a variety of income levels.
- It is proposed on land which the County General Plan has designated for some sort of master planned project for decades.
- The developer has the right to develop the property to its highest and best use. The community has a public interest in allowing this process.
- Where you live when you are young has everything to do with your chances in life -- that is who you associate with, where you go to school , the room in which you do your homework, and who become your role models. Homes provide for family formation and stability.
- We recognize that existing neighbors fear the impacts of a dense enclave in the midst of their lower density neighborhoods. The problem is that the State and County have adopted schemes of land use which generally forbid large scale development of free standing homes with front and back yards, side yards, and privacy. In effect, the type of development characterized by the Dana Reserve has been legislated over the decades by our elected officials in the name of prohibiting “urban sprawl.” Thus, if not here and not now, where and when?
- From a transportation standpoint, it is located just south of the interchange of US Highway 101, a controlled access freeway, and Willow Road, a major east /west Nipomo artery. It can be served by buses which now already run between San Luis Obispo and Santa Maria.
- Accumulative State law related to the housing crisis practically requires that the Board approve the project.
- The Planning Commission recommends the project.
- The staff recommends approval of the project.
- The Board letter summary states in part:

## Project Description

The following is an overview of the DRSP and related entitlements. The Planning Commission staff report (Attachment 4) contains a more detailed description of the DRSP, Draft Environmental Impact Report (Draft EIR), and key issues.

The 2024 Dana Reserve Specific Plan (DRSP) is a primarily residential project with a majority of the Specific Plan Area designated for residential uses. The DRSP would allow development of up to 1,370 single- and multi-family residential units, as well up to 203,000 square feet of village and flex commercial uses (including a hotel, educational/training facilities, and retail/light industrial uses), open space, trails, and a public neighborhood park within the approximately 288-acre Specific Plan Area. Major components of the DRSP include:

- Land use and development standards for residential, commercial, and open space/recreational uses;
- Site and building objective design standards and design guidelines;
- Goals supporting a variety of housing types to allow a range of opportunities for home ownership or rental options;
- Establishment of north-to-south roadway connections through the Specific Plan Area to better connect Tefft Street and Pomeroy Road to Willow Road;
- Implementation of an interconnected network of walking, bicycling, and equestrian trails and facilities; and
- The generation of new employment opportunities and provision of access to day-to-day goods and services through development of a range of commercial uses.

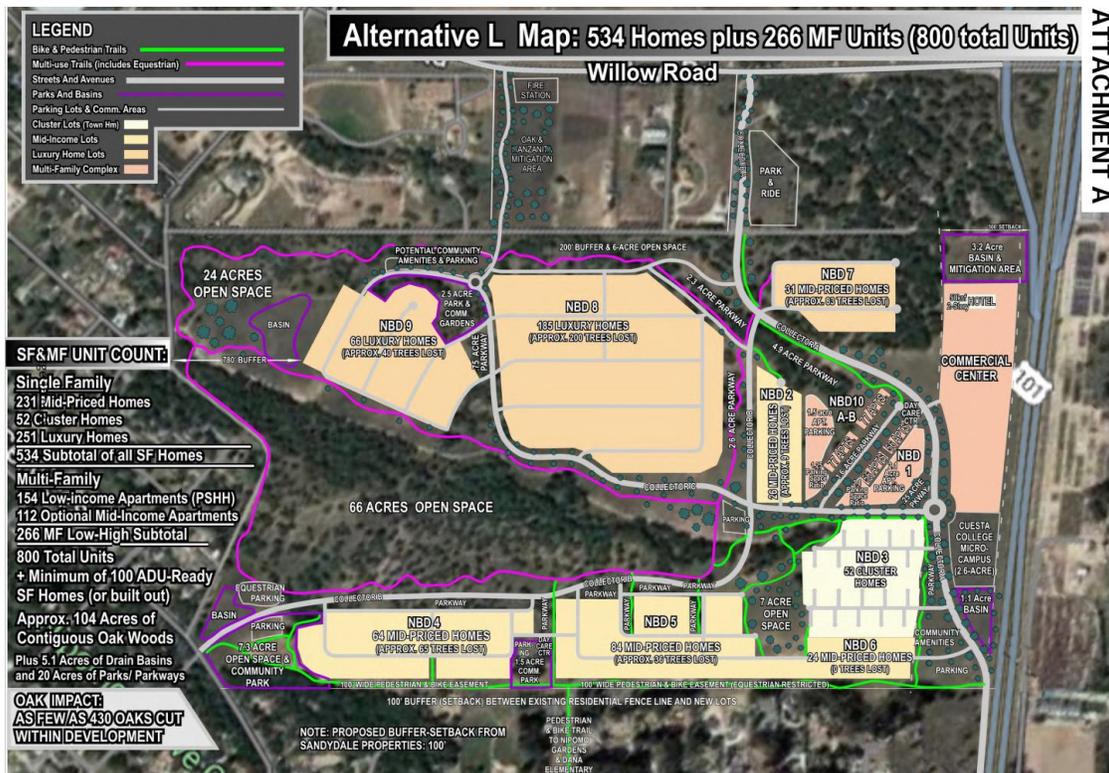
Figure 1. Land Use Map



Figure 2. Concept Master Plan



In addition to four CEQA generated alternatives – no project and three smaller projects, a citizen group has generated its own version for consideration. It does not meet the project objectives, and the internal financing margins don't work to facilitate the affordable components of the project.



## **Opposition:**

1. Neighbors in the vicinity oppose the project for the normal reasons – increased traffic, conversion of raw land containing many oak trees to urban uses, rural vistas turning into views of property fences and the backs of new densely packed homes, and more population. Accompanying noise, stray light, and increased water use are also cited. The developer has gone to extraordinary lengths to eliminate or mitigate these.

2. The project EIR lists 19 Significant and Unavoidable CEQA Class I Impacts per the table below. These are in fact obvious factors that result from any conversion of raw land to human habitation. CEQA requires that these be measured and disclosed. They are then included in the Final EIR. Project opponents seize on these to attempt to prevent governing bodies from approving projects. The California Native Plant Society, a local Oak Tree Preservation Group, the Audubon Society, and the Sierra Club have all filed letters stating that the project as presented should be denied or severely diminished on these grounds.

For the Board of Supervisors to approve the project it must adopt findings of overriding concern. These then become the fodder for lawsuits.

### **SIGNIFICANT AND UNAVOIDABLE (CLASS I) IMPACTS**

- Air Quality (3)
- Biological Resources (6)
- Greenhouse Gas Emissions (2)
- Land Use and Planning (3)
- Population and Housing (2)
- Transportation (2)
  
- Growth-Inducing Impacts (1)

### **The Final EIR for the project identifies the following significant and unavoidable impacts of the project:**

*1. The project would conflict with an applicable air quality plan, resulting in a significant impact. Implementation of the proposed project would further divide the jobs-to-housing balance within the project area and would be inconsistent with regional vehicle miles traveled (VMT)-reduction efforts.*

*2. The project would result in a cumulatively considerable net increase of criteria pollutants in exceedance of established San Luis Air Pollution Control District (SLOAPCD) daily emissions thresholds, resulting in a significant impact. During operation, maximum daily operational air pollutant emissions would exceed SLOAPCD's operational significance thresholds. Annual*

*emissions of reactive organic gases (ROG) and nitrogen oxides (NOx) would also exceed SLOAPCD's recommended operational significance thresholds.*

*3. The project would conflict with an applicable air quality plan and would result in a cumulatively considerable net increase of criteria pollutants in exceedance of established SLOAPCD daily emissions thresholds, resulting in a significant cumulative impact.*

*4. The project could directly or indirectly impact special-status plant and wildlife species, resulting in a significant impact. Project activities, including tree removal, grading, demolition, utility installation, paving, etc., could result in impacts to special-status species and their habitat.*

*5. The project could directly and indirectly impact California Rare Plant Rank (CRPR) 4 and Watch List plant species, including California spineflower, sand buck brush, and sand almond.*

*6. The project will directly impact Burton Mesa chaparral, resulting in a significant impact. The project would result in the loss of 35 acres of Burton Mesa chaparral habitat on-site.*

*7. The project will directly impact coast live oak woodland, resulting in a significant impact. The project would result in the loss of approximately 75 acres of coast live oak woodland habitat on-site.*

*8. The project will result in direct and indirect impacts to coast live oak woodland, coast live oak forest, and individual oak trees, resulting in a significant impact.*

*9. The project would have cumulatively considerable impacts related to biological resources, resulting in a significant cumulative impact.*

*10. The project would conflict with an applicable plan, policy, or regulation adopted for the purpose of reducing the emissions of greenhouse gases, resulting in a significant impact. The project would generate VMT above existing per capita thresholds, which would conflict with the San Luis Obispo Council of Governments (SLOCOG) 2019 Regional Transportation Plan and Sustainable Communities Strategy (RTP/SCS) intended to reduce greenhouse gas (GHG) emissions through VMT-reduction strategies.*

*11. The project would result in a cumulatively considerable impact to greenhouse gas emissions, resulting in a significant cumulative impact.*

*12. The project would adversely affect the local jobs-to-housing ratio within the project area and would be inconsistent with Land Use Planning Policy L-3 of the San Luis Obispo County Clean Air Plan (CAP), resulting in a significant impact.*

*13. The project would result in the net loss of CRPR 4 and Watch List plant species, native oak woodland, and sensitive habitats; therefore, the project would be potentially inconsistent with goals and policies of the County of San Luis Obispo General Plan Conservation Open Space Element pertaining to preservation of biological resources and Policy 3.8 of the Parks and Recreation Element, resulting in a significant impact. The project would be potentially inconsistent with County COSE Goal BR 1, Policy 1.2, BR Policy 1.4, BR Policy 1.9, Policy BR 2.6, Goal BR 3, Policy BR 3.1, Policy BR 3.2, Policy BR 3.3, and several Implementation Strategies set forth in the County COSE.*

14. *The project would result in cumulative impacts associated with inconsistency with goals and policies identified within the County of San Luis Obispo General Plan Conservation and Open Space Element, Framework for Planning (Inland), LUO, and South County Area Plan regarding preservation and no net loss of sensitive biological resources and preservation of rural visual character, resulting in a significant impact.*

15. *The project would induce substantial unplanned population growth in the Nipomo area, resulting in a significant impact.*

16. *The project would result in a cumulatively considerable impact related to substantial and unplanned population growth, resulting in a significant cumulative impact.*

17. *Buildout of the Specific Plan Area would exceed the County VMT thresholds and therefore would not be consistent with State CEQA Guidelines Section 15064.3(b). VMT per employee would be incrementally reduced compared to existing conditions; however, the project-related increase in residential VMT per capita and overall VMT would exceed the County VMT thresholds, resulting in a significant impact.*

18. *The project would result in a cumulatively considerable impact to transportation and traffic, resulting in a significant cumulative impact.*

19. *The project would result in substantial growth inducement associated with the proposed project's population as well as the potential to induce additional spatial, economic, or population growth in a geographic area.*

#### **The Statement of Overriding Considerations:**

**For projects which would result in significant environmental impacts that cannot be avoided, CEQA requires that the lead agency balance the benefits of these projects against the unavoidable environmental risks in determining whether to approve the projects. If the benefits of these projects outweigh the unavoidable impacts, those impacts may be considered acceptable (State CEQA Guidelines Section 15093[a]).** CEQA requires that before adopting such projects, the public agency must adopt a Statement of Overriding Considerations setting forth the reasons why the agency finds that the benefits of the project outweigh the significant environmental effects caused by the project. This statement is provided below.

#### **REQUIRED FINDINGS**

1. *Environmental Determination. The Board of Supervisors hereby certifies that the Final EIR adequately identifies the project's potentially significant impacts, alternatives to the project, and recommended mitigation measures.*

2. *Final EIR Findings. Based upon all the evidence, the Board of Supervisors makes the following findings in certifying the Final EIR. a. The Final EIR has been completed in compliance with CEQA and was considered by the County prior to any approvals of the project. b. The Final EIR reflects the independent judgment of the County. c. For most of the significant*

effects identified in the Final EIR, the approved mitigation measures contained in the Final EIR will avoid or substantially lessen the identified adverse environmental impacts of the project to a level where they are not significant and have been incorporated into the project. d. Not all significant effects identified in the Final EIR can be mitigated to a level where they are not significant. The significant effects related to air quality, biological resources, greenhouse gas emissions, land use and planning, population and housing, transportation, and include growth-inducing impacts, will not be fully mitigated to a degree where they are not significant with the incorporation of all of the identified feasible mitigation measures contained in the Final EIR. However, the Board of Supervisors finds that the adverse environmental effects are acceptable and makes a statement of overriding considerations for those significant and unavoidable environmental impacts.

3. *Statement of Overriding Considerations.* The Board of Supervisors has identified a number of overriding economic, social, and other public benefits of the project that, in the Board's judgment, make the significant and unavoidable impacts identified in the Final EIR acceptable. These benefits are described below. The substantial evidence supporting the enumerated benefits of the Project can be found in the preceding findings, in the Project itself, and in the record of proceedings as defined herein, including the County's General Plan. Each of the overriding considerations set forth below constitutes a separate and independent ground for finding that the benefits of the Project outweigh its significant adverse environmental effects and is an overriding consideration warranting approval. Thus, if a court were to find that any particular benefit is not supported by substantial evidence, the Board of Supervisors would rely on whatever benefit(s) that the court did find were supported by substantial evidence. The overriding benefits of the Project include the following: a. *The California Legislature has found and declared that "The availability of housing is of vital statewide importance." (Gov. Code § 65580.) The California Legislature has required that every city and county "designate and zone sufficient vacant land for residential use with appropriate standards, in relation to zoning for nonresidential use, and in relation to growth projections of the general plan to meet housing needs for all income categories as identified in the housing element of the general plan." (Gov. Code § 65913.1.) The Governor of California has declared that the shortage of housing for residents of California is a crisis.*

*(1) In February 2019, SLOCOG accepted the California's Department of Housing California Governor Gavin Newsom State of the State Address, Feb. 19, 2020, available at <https://www.gov.ca.gov/2020/02/19/governor-newsom-delivers-state-of-the-state-address-on-homelessness/> and Community Development's RHNA allocation of 10,810 additional housing units for the 10-year planning cycle.*

*(2) The RHNA is mandated by State Housing Law as part of the periodic process of updating local housing elements of the General Plan. Under the housing allocation adopted by SLOCOG in February 2019, the County is to contribute 3,256 new dwelling units over the course of the 10-year planning cycle.*

*(3) The project will assist the County in meeting its housing allocation targets under state law and consistent with Housing Element Objective HE-2.0. If approved the project will provide 156 deed-restricted affordable housing units available to very-low- and lower-income households in two separate neighborhoods (10A and 10B). The Applicant would install improvements to the lots, including utilities stubbed to the property lines, mass grading, and installation of all frontage improvements, including curb/gutter/sidewalks,*

*drainage and stormwater compliance associated with perimeter street runoff, sidewalks, streetlights, water mains, sewer mains, and dry utilities.*

*b. CEQA Guidelines Section 15021 points to housing specifically as a factor to be considered when balancing a variety of public objectives. Section 15021(d) states: “CEQA recognizes that in determining whether and how a project should be approved, a public agency has an obligation to balance a variety of public objectives, including economic, environmental, and social factors and in particular the goal of providing a decent home and satisfying living environment for every Californian. An agency shall prepare a statement of overriding considerations as described in Section 15093 to reflect the ultimate balancing of competing public objectives when the agency decides to approve a project that will cause one or more significant effects on the environment.”*

*c. Housing Element Objective HE-2.00 states the County will facilitate the development and preservation of housing that is affordable to households of moderate-income or lower, households of workforce-income, and seniors. The proposed project will help the County achieve this objective by providing 383 multi-family units in NBDs 1 and 2 that, although subject to market trends, are expected to be affordable by design at the moderate and workforce income levels based on market studies conducted by the Applicant.*

*d. The DRSP provides for a variety of housing types and costs to meet the needs of renters and buyers with a variety of income-levels, including single-family, townhomes, and multifamily options, consistent with Housing Element Objective HE-1.00.*

*e. The lack of available housing in the county, especially workforce housing, currently impacts the ability for employers to attract and hire qualified staff. The project emphasizes providing housing of all types, sizes, and range of affordability addressing the County and State critical housing shortage.*

*f. The DRSP will allow for the construction of ADUs and Junior ADUs (JADUs) as permitted uses in all areas of the DRSP area that allow for residential uses, consistent with state ADU law. It is anticipated that approximately 152 ADUs or JADUs could be developed within the DRSP area over the life of the project. A minimum of 100 ADUs will be constructed by the project during initial phases of development. The County’s Housing Element included a market study that showed 50 percent of ADUs are affordable at the low income level and 50 percent of ADUs are affordable at the moderate income level. Therefore, the 100 ADUs to be constructed will add 50 low income and 50 moderate income units to the county’s housing supply. If all 152 ADUs are built, they will add 2SLOCOG, Staff Report, Feb. 6, 2019, approximately 76 low income and 76 moderate income units to the unincorporated county’s housing supply.*

*g. As part of the DRSP, a local preference program for home buyers and renters will be included in the marketing of the units within the Neighborhoods 1, 2, 3, 4, 5, and 6. The local preference program will give first priority to individuals who live or work in the South County (identified by the boundaries of the Lucia Mar Unified School District), children of South County residents, first time homebuyers, and buyers who can demonstrate a reduction in vehicle miles travelled by living in the DRSP area rather than their existing residence.*

*h. The DRSP will provide a \$3.2 million dollar donation to the Community Foundation San Luis Obispo for down payment assistance of between 3.5% and 10% of the home’s purchase price to qualified first time homebuyers. The donation would provide financing assistance to local, first-*

*time homebuyers and priority buyers described in subsection e. (first priority to individuals who live or work in the South County [identified by the boundaries of the Lucia Mar Unified School District], children of South County residents, first time homebuyers, and buyers who can demonstrate a reduction in vehicle miles travelled by living in the DRSP area rather than their existing residence). All buyers will be required to provide proof of a demonstrated financial need to qualify for down payment assistance.*

*i. The DRSP will preserve the rural-urban interface by restricting structures in Neighborhoods 7, 8, and 9 to single-story where located adjacent to existing single-family residences and by clustering residences in Neighborhood 3 to the north of the neighborhood with a 110-foot buffer to the residences to the south, consistent with the goals of the South County Area Plan.*

*j. The DRSP will designate approximately 21 percent, or about 62 acres, of the DRSP area for recreational and open space uses, including a 4.8-acre privately maintained public park for residents of the DRSP area and the County, a 1-acre equestrian trailhead for residents of the DRSP and the County, semi-public and private recreational amenities, approximately 3.3 miles of publicly-accessible equestrian trails, and approximately 3.8 miles of publicly-accessible off-street pedestrian trails, consistent with Parks and Recreation Element Policy 2.5, Objective C, Policy 3.12, and Policy 3.13, and the goals of the South County Area Plan. The project would also provide needed funding for enhancement of existing offsite park and recreational facilities through payment of Quimby fees.*

*k. The DRSP would offer for dedication an open space and conservation easement on a 388-acre property known as Dana Ridge (Assessor Parcel Numbers 090-031-003 and 090-031-004) located approximately 2.1 miles east of the DRSP Area for the permanent conservation of approximately 288 acres of coast live oak woodland that is intermixed with approximately 120 acres of chamise chaparral, 7.5 acres of manzanita scrub, and 20 acres of grassland. The area to be permanently protected at Dana Ridge includes approximately 14,000 mature oak trees, rare Santa Margarita manzanita, and other rare plant species.*

*l. The DRSP would preserve in perpetuity through recordation, known cultural and archaeological resources present within the DRSP area.*

*m. The DRSP would include five connection points to the surrounding community, which would provide alternative emergency evacuation routes for the existing community, including a through connection from West Tefft Street to Willow Road via extension of North Frontage Road. Caltrans and County Public Works have identified the need for a parallel route to US 101 to relieve traffic congestion. Collector A would meet this need.*

*n. The DRSP includes pedestrian and bicycle paths and multi-modal boulevards separated by landscaped medians throughout the DRSP area, providing pedestrians and bicyclists with off-street circulation options that connect open space and recreational areas with housing and commercial areas, consistent with County's LUCE Goals 3, 4, 9, and 11.*

*o. The project would create new construction-related and permanent jobs in the project area. Planned commercial development and upkeep of the DRSP area would provide jobs in close proximity to housing.*

*p. Consistent with the goals of the South County Area Plan, the DRSP would provide a variety of commercial and industrial uses to generate local business activities, increase sales and property tax revenues, and provide for the functional needs of the community.*

*q. As required by the County's General Plan, the DRSP contains policies and standards that will facilitate appropriate development of land, protection of open space, and provision of adequate public facilities consistent with the County's LUCE.*

*r. The DRSP would include an approximately 2-acre land dedication within the DRSP area for the construction of a future fire station to serve the South County and Nipomo areas. The Applicant would install improvements to the lot, including utilities stubbed to the property lines, mass grading, and installation of all frontage improvements, including curb/gutter/sidewalks, drainage and stormwater compliance associated with perimeter street runoff, sidewalks, streetlights, water mains, sewer mains, and dry utilities. Additionally, the Applicant is not seeking Public Facility Fee reimbursement that the Applicant would otherwise be entitled to in exchange for the land donation.*

*s. The DRSP would provide an approximately 4-acre land donation for a satellite community college. The Applicant would install improvements to the lot, including utilities stubbed to the property lines, mass grading, and installation of all frontage improvements, including curb/gutter/sidewalks, drainage and stormwater compliance associated with perimeter street runoff, sidewalks, streetlights, water mains, sewer mains, and dry utilities.*

*t. The DRSP would provide a 0.5-acre land donation for a daycare center to serve the DRSP area and surrounding community. The Applicant would install improvements to the lot, including utilities stubbed to the property lines, mass grading, and installation of all frontage improvements, including curb/gutter/sidewalks, drainage and stormwater compliance associated with perimeter street runoff, sidewalks, streetlights, water mains, sewer mains, and dry utilities.*

*u. The DRSP would facilitate further implementation of the Nipomo Supplemental Water Project consistent with the recommendation of the Nipomo Mesa Management Area by bringing water onto the Nipomo Mesa and applying it to land uses within the mesa, a majority of which would be recaptured through wastewater collection and treated at the NCSO Southland wastewater treatment facility, where it can percolate back into the Nipomo Mesa subbasin.*

*4. The Mitigation Monitoring Program, attached as Exhibit B, has been reviewed by the Board of Supervisors in conjunction with its review of the Final EIR, and is hereby adopted. It shall be carried out by the responsible parties by the identified deadlines.*

*Accordingly, the County finds that the Project's adverse, unavoidable environmental impacts are outweighed by these considerable benefits.*

### **Could the County Declare a State of Emergency?**

It did back in 2013 in order to take control of the Paso Basin water issue. Isn't the shortage of housing just as dangerous an issue?

### **Planning and Building and County Counsel Departments Worked Hard on this Application**

The record that was accumulated in relation to this project is vast. The analytical work of the staff is impressive. The accumulative complexity, including the intersection of so many laws and rules, is monumental.

### A Tough Issue for Supervisor Paulding

The Supervisor has many constituents opposed to the project. He also has many, including business groups, educational institutions, and not-for-profits, as well as regular constituents, who support it. As noted above, Gibson’s Planning Commissioner Wyatt opposed the project. It will be interesting to see how Gibson handles environmental overrides. Of course, all of the Supervisors have made housing a stated priority. It may be that Supervisor Ortiz-Legg holds the key on this one.

**Item 30 - Any Supervisor may ask a question for clarification, make an announcement, or report briefly on his or her activities. In addition, Supervisors may request staff to report back to the Board at a subsequent meeting concerning any matter or may request that staff place a matter of business on a future agenda. Any request to place a matter of business for consideration on a future agenda requires the majority vote of the Board.**

### Planning Commission Meeting of Thursday, April 25, 2024 (Scheduled)

**Item 5 - A study session regarding the Phillips 66 Santa Maria Refinery Demolition and Remediation Project and the Draft Environmental Impact Report (EIR). The Applicant, Phillips 66 Company (Phillips), is seeking a Development Plan/Coastal Development Permit (DP/CDP) to allow for demolition and remediation of the Santa Maria Refinery (SMR) located at 2555 Willow Road in Arroyo Grande.** As noted in the staff report, the County in 2017 denied an application to expand the amount of tank car parking on the grounds that tank cars are too risky. There was vast and coordinated statewide push by anti-oil activists and leftists in general to have the permit denied. Subsequently, Phillips determined to close the plant.

The County does not seem to have formulated a policy for a subsequent industrial use. There will of course be the usual push to convert the site to a passive preserve for various thistles and birds.

**Table 1.** Project Schedule

Activity	Year										
	2023	1	2	3	4	5	6	7	8	9	10
Decontamination and Abatement	■										
Project: Above Ground Demolition		■	■								
Project: Remediation* - most soil movement			■	■	■	■					
Project: Continued Remediation as needed**			■	■	■	■	■	■	■	■	+
Ongoing Remediation (not part of Project)***											
NIWS Restoration		■	■	■	■	■					
Slops Oil Remediation						+					

Source: Phillips 66 Application 2023



## LAST WEEK'S HIGHLIGHTS

**No Board of Supervisors Meeting on Tuesday, April 16, 2024 (Not Scheduled)**

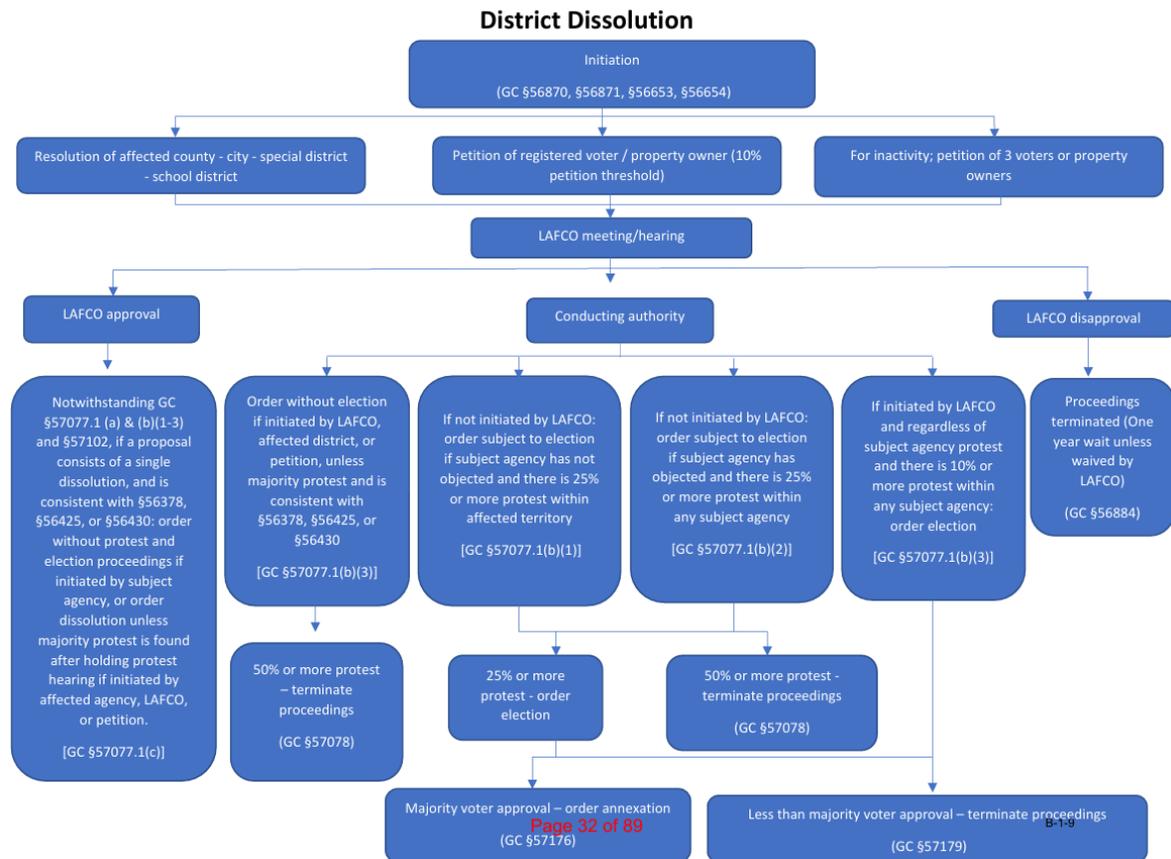
**The next meeting is set for Tuesday, April 23, 2024.**

**Local Agency Formation Commission of Thursday, April 18, 2024 (Completed)**

**B -1 - Informational Report on the Status of San Simeon Community Services District (Recommend Receive and File). Dissolution of the District.** After experiencing years of financial, legal, environmental, and management problems, the District is requesting that LAFCO approve its dissolution and assignment of its functions and revenues to the County. This very complete report does not propose any action at this time.

As we have reported, various smaller community service districts and special districts are collapsing under the weight of increasing costs, heavy complicated State mandates, and the inability of citizens to serve on their governing Boards. It is likely that some of the smaller, weaker cities will also begin to collapse. The costs and management overhead then fall upon the County. Ultimately, the entire model of State and local government in California will collapse under the self-induced cost pressure, constant functional accretion, wokist indoctrination of the leadership, and the general dumbing down of the population, particularly with regard to education in civics, history, and science.

The process is long and complicated:



*"Dissolution" under State Government Code means the disincorporation, extinguishment, or termination of the existence of a district and the cessation of all its corporate powers. Below is a high-level overview of the dissolution process.*

*1. Resolution of Application adopted by the SSCSD Board a. Application must contain, in part, a Resolution of Application pursuant to 56654(a) and a Plan for providing services pursuant to 56653.*

*2. SSCSD submits the Resolution of Application to LAFCO*

*a. The date of application submittal is the date that LAFCO commences a 30-day review.*

*3. LAFCO 30-Day Review a. LAFCO staff will determine if the application is sufficient for filing. If the application is not sufficient and additional information is needed, then the proposal will be placed on hold. The applicant will be informed of the status of the application through a 30-day review letter.*

*4. Notice/Referrals to Affected Agencies a. Affected Agencies will have an opportunity to comment on the proposal. b. The County will receive a referral requesting the County's position on the plan for services submitted by SSCSD. If warranted, the County should provide their own plan for services with analysis related to costs, time, and staffing to take on the responsibilities of the District and determine if they plan to pursue the formation of a County Service Area.*

5. *Certificate of Filing* a. Once the applicant has met all submission requirements and all items in the 30 day review letter have been met, LAFCO will issue a Certificate of filing accepting the application for filing. b. A Hearing will be set within 90 days of the Certificate of Filing.

6. *LAFCO Hearing*

a. Staff will prepare a staff report and supporting documents for the hearing.

b. 21-day notice of Hearing & additional noticing would be conducted per gov code section 56660, 56661, & 56665

7. *30-Day Reconsideration Period* a. Following a 30-day period during which any person may request the Commission to reconsider its action approving a proposal per gov code section 56895.

8. *Protest Proceedings/Election*

a. If LAFCO approves the dissolution, protest thresholds are set forth in gov. code section 57092. In summary, if more than 25% of landowners who own at least 25% of the assessed value of land within SSCSD or if 25% of registered voters oppose the action but less than 50%, it goes to an election, if more than 50% it's terminated, as per 57078.

9. *Certificate of Completion*

a. After all Commission Conditions of Approval have been met LAFCO may file the Certificate of Completion with the County Clerk Recorder.

b. Dissolution is not completed and effective until the Certificate of Completion is filed.

## EMERGENT ISSUES



**Offshore Wind farm. (Photo: Energy.ca.gov)**

## Item 1 - Offshore Wind Energy: The Cost and Economic Impacts Part 1

### **Wind energy is very expensive and will never be able to compete in a free market without subsidies** *By Robert Sidenberg, April 16, 2024*

I have been studying the economic effects of Offshore Wind Energy and Renewable Energy over the past year. Contrary to what wind developers, many politicians, and news outlets would have us believe, it is clear that Wind Energy, especially Offshore Wind Energy (OSW) Energy, is the worst way to produce electricity. It is one of the most expensive and, owing to its inherent intermittency, least efficient forms of electricity generation. The widely cited figures of OSW being inexpensive with costs decreasing over time, is a fallacy.

On the surface it sounds plausible since wind is free. Maybe so but the cost to harness and convert the wind to electricity more than makes up for it. The numbers used are based only on the cost of generation when the wind is blowing and the sun is shining but fail to take into account the cost of their intermittency. Another figure typically omitted is the tremendous cost of getting the electricity connected to the grid. Particularly for deep water projects requiring thousands of miles of cable buried in the ocean floor and numerous floating substations.

Perhaps one of the most overlooked figures is the cost associated with subsidies. Most of the subsidies are made available through the federal government in the Inflation Reduction Act which provides Investment Tax Credits of up to 50% of the capital cost of a project. Other subsidies are created by various states which provides for Power Purchase Agreements (PPA's). PPA's are subsidized guaranteed rates paid to offshore wind energy developers over a contract period of 20 to 25 years. The amounts generally increase over the term of the contract at a fixed annual escalation rate of 1 to 3%. These attractive subsidies are 2.5 to 4 times the current wholesale energy market price and are the primary source of revenue for the developers.

Government, at taxpayers' expense, is providing subsidies of over \$3 trillion, with interest adding another trillions of dollars more (federal govt's. estimate) on a technology that, at best, produces electricity at only 40% of its full capacity, in part because it is dependent on specific weather conditions to operate. Additionally wind and solar energy require other reliable energy generators such as coal, natural gas, or nuclear standing by to be available when needed. While standing by these generators still incur costs so when they do kick in their prices are increased to make up for that non-income producing period.

Wind energy is very expensive and will never be able to compete in a free market without subsidies. Subsidies can sometimes be justified temporarily for new technologies with large upfront costs to get off the ground but wind energy has been around for more than 30 years so to claim it an infant industry doesn't hold up. Do the benefits exceed their costs? Certainly not from an economic perspective and not from an environmental perspective either. The wind energy developers and the politicians that support it benefit greatly at the expense of taxpaying citizens.

When government subsidizes a particular industry they are in effect choosing economic winners and losers and invariably choose poorly because the choices made often reflect political

favoritism. There is a staggering amount of money being shelled out to the various wind energy companies. A portion of the money is likely to end up in the form of donations paid out as campaign contributions to supporting politicians and to environmental organizations who consider wind energy to be “green”.

The historically large government subsidies for renewable energy distort energy wholesale markets by crowding out more productive private investment. They also reduce the resources available for other more efficient and reliable forms of energy generation such as small nuclear reactors, or advanced natural gas plants using carbon capture.

The addition of large-scale wind and solar facilities to the grid increases price volatility of electricity in the wholesale power markets which drives up costs. Under organized wholesale power rules, generators bid to supply electricity at their marginal cost. Wind and solar generators can bid at or below zero cost since their profit is being subsidized by taxpayers.

An expert in energy rate regulation, Johnathan Lesser in his report “Green Energy and Economic Fabulism” explains what is known in California as the “duck curve.” During the day solar generation peaks while at the same time demand is low creating an excess of electricity which the state often has to pay to export it to other states. As solar and wind generation has increased, there are more hours where wholesale prices are below zero. Generators like nuclear plants that cannot be cycled on and off must still bid into the market at all hours and when prices turn negative must pay to dispose of the electricity generated. The additional subsidized generation thus crowds out generators that are both more efficient and vital to maintain grid reliability so many states now provide subsidies to nuclear plants to ensure they do not shut down.

When natural gas generators, which are critical when electricity demand is at its highest, become uneconomic to operate because of a flood of competing subsidized wind and solar power they too must be subsidized. According to Lesser, “A system of subsidies that causes economic distortions in electricity markets requiring further subsidies to overcome them is pure economic madness.”

The resulting situation has caused the Golden State’s electricity prices to become the second highest in the country, with only Hawaii’s costs being greater.

*Robert Sidenberg was born and raised in Richmond, Va., has lived in Arroyo Grande, CA on the Central Coast since 1985, and has been a recreational sport fisherman for 38 years, fishing out of Port San Luis. Cal Globe, April 16, 2024.*

**Item 2 - Court rules for property owner in building fee dispute  
By Amy Howe on Apr 12, 2024**



**George Sheetz at his home in El Dorado County, Calif. (Pacific Legal Foundation)**

California homeowner George Sheetz won a victory at the Supreme Court on Friday in his challenge to the constitutionality of a fee that he was required to pay the county to receive a permit to build his home. In a unanimous decision authored by Justice Amy Coney Barrett, the justices agreed with Sheetz that conditions on building permits should be subject to heightened scrutiny even if they were authorized by legislation, rather than imposed on an individual basis by administrators.

The decision was a relatively narrow one that did not come as much of a surprise after the oral argument in January, at which Justice Neil Gorsuch had observed that both Sheetz and the county were in “radical agreement” on the question that the court had agreed to decide. The justices on Friday answered only that question – in Sheetz’s favor – and sent the case back to the state courts for another look in light of the Supreme Court’s decision.

The dispute began in 2016, when Sheetz wanted to build a manufactured home on a lot that he owns in Placerville, Calif. El Dorado County, where the lot is located, told Sheetz that he would be required to pay “traffic impact mitigation fees” before he could receive a building permit. Sheetz paid the fee, but he also went to state court to challenge the fee’s constitutionality.

Sheetz argued that the fee violated the Fifth Amendment’s takings clause, which bars the government from taking private property for public use “without just compensation.” He told the state courts that to determine whether the fee passes constitutional muster, they should apply the test outlined by the Supreme Court in two property rights cases, *Nolan v. California Coastal Commission* and *Dolan v. City of Tigard, Oregon*. Those cases, taken together, hold that if a government wants to require someone to give up property in exchange for a land-use permit, it must show that such a condition is closely related and roughly proportional to the effects of the proposed land use. In Sheetz’s case, he argued, they meant that the county was required to make a case-by-case determination that the \$24,000 fee was necessary to offset the impact of congestion attributable to his project.

The state courts declined Sheetz’s suggestion. They concluded that the *Nollan/Dolan* test only applies to fees imposed on an individual basis, rather than fees – like the traffic impact mitigation fee – authorized by legislation.

The Supreme Court on Friday disagreed. In her 11-page opinion for a unanimous court, Barrett explained that nothing in the text of the Constitution indicates that the takings clause does not apply to fees imposed by legislatures. The same is true, she continued, for the history of the takings clause. “In fact,” she wrote, “special deference for legislative takings would have made little sense historically, because legislation was the conventional way that governments exercised their eminent domain power.” Nor, she added, do the Supreme Court’s cases interpreting the takings clause distinguish in any way “between legislation and other official acts.”

Barrett emphasized that the court’s ruling did not resolve some of the other issues raised by Sheetz’s challenge regarding the validity of the fee – “including whether a permit condition imposed on a class of properties must be tailored with the same degree of specificity as a permit condition that targets a particular development.” The state appeals court did not weigh in on this or other unresolved questions, Barrett explained, because it “proceeded from the erroneous premise that legislative permit conditions are categorically exempt from the requirements of *Nollan* and *Dolan*.” “Whether the parties’ other arguments are preserved and how they bear on Sheetz’s legal challenge are,” Barrett concluded, “for the state courts to consider in the first instance.”

Three different justices wrote brief concurring opinions in which they weighed in on some of the issues that they raised at the oral argument and some of the questions left unanswered by the court’s ruling. Justice Sonia Sotomayor had in January pointed to other property-related fees that governments often impose and questioned whether the takings clause applies to Sheetz’s case at all. In an opinion joined by Justice Ketanji Brown Jackson, she argued that *Nollan* and *Dolan* only apply if the fee would have been a taking of property requiring government compensation if the government had imposed it outside the permitting process. That question, Sotomayor indicated, remains open in Sheetz’s case.

For Gorsuch, the answer to the question “whether the *Nollan/Dolan* test operates different when an alleged taking affects a ‘class of properties’ rather than a ‘particular development’” was clear: “Nothing about that test depends on whether the government imposes the challenged condition on a large class of properties or a single tract or something in between.”

But in a one-paragraph opinion, Justice Brett Kavanaugh – joined by Jackson and Justice Elena Kagan – wrote separately to stress that the court had “explicitly decline[d] to decide” the question flagged by Gorsuch in his concurring opinion. Therefore, Kavanaugh noted, the court’s ruling in Sheetz’s case “does not address or prohibit the common government practice of imposing permit conditions, such as impact fees, on new developments through reasonable formulas or schedules that assess the impact of classes of development rather than the impact of specific parcels of property.” Moreover, Kavanaugh stressed, “no prior decision of this Court has addressed or prohibited that longstanding practice.”

*This article was originally published at Howe on the Court. Posted in Merits Cases*  
Cases: Sheetz v. County of El Dorado, California

### **Item 3 - Major offshore wind projects in New York canceled in latest blow to industry**

**Story by Marie J. French in the Politico of April 19, 2-24**

Efforts in New York to rely on offshore wind to reach its renewable energy goals took a hit Friday when a regulatory agency dumped three critical projects.

Efforts in New York to rely on offshore wind to reach its renewable energy goals took a hit Friday when a regulatory agency dumped three critical projects.

ALBANY, New York — New York’s signature offshore wind projects meant to boost confidence in the industry are being scrapped, a major hit to the industry in the state and the nation.

The decision is another setback to New York’s aspirations to achieve 70 percent renewable energy by 2030 and be a hub for the nascent industry in the United States. It will also be another challenge for President Joe Biden’s already likely out-of-reach 30 gigawatt goal for offshore wind by 2030.

NYSERDA, the state authority in charge of the deals, announced Friday that no final agreements could be reached with the three projects that received provisional awards in October 2023. Those bids were all linked to major supply chain investments by General Electric and a larger turbine it planned to build that was aimed at boosting the region's renewable energy portfolio.

“Subsequent to the provisional award announcement, material modifications to projects bid into New York’s third offshore wind solicitation caused technical and commercial complexities between provisional awardees and their partners, resulting in the provisionally awarded parties’ inability to come to terms,” NYSERDA wrote in an announcement.

In February, POLITICO's E&E News reported that GE didn't plan to move forward with an 18 megawatt turbine. NYSERDA confirmed that was the main reason no final awards were made. A smaller turbine means a project would need more individual turbine locations to deliver the same power — and the costs would have been higher.

NYSERDA had also tentatively awarded \$300 million to GE Vernova and LM Wind Power for investments in nacelle and blade manufacturing at new facilities along the Hudson River near Albany. That money will be made available through a new competitive solicitation, according to the authority.

“NYSERDA remains committed to advancing New York’s offshore wind industry in pursuit of the state’s Climate Act goals,” spokesperson Kate Muller said in a statement. “Next steps will be announced in the near future.”

The authority was already expected to start another round of offshore wind bids and may accelerate those efforts. NYSERDA's schedule for the offshore wind projects called for contracts to be executed by the end of last month. GE did not immediately respond to a request for comment.

It's not the total end of offshore wind in New York but does represent a setback. There are still some projects off the coast of Long Island and New Jersey on the drawing board and one is already operational.

The projects that were negotiating contracts are the 1,404 MW Attentive Energy One project being developed by TotalEnergies, Rise Light and Power and Corio Generation; the 1,314 MW Community Offshore Wind project developed by RWE Offshore Renewables and National Grid Ventures; and the 1,314 MW Excelsior Wind developed by Vineyard Offshore with backing from Copenhagen Infrastructure Partners.

But those would now need to rely on smaller 15.5 MW turbines — which means the developers would have needed to buy more and install more massive underwater foundations to put each turbine atop. As a result, it adds time and labor costs to each project.

The unsuccessful solicitation comes after several blows to the industry in the U.S. in the past year, indicating the high costs and regulatory hurdles each project faces — along with the concern over socking utility customers with higher bills to pay for them.

New York awarded the three projects after the state Public Service Commission last fall rejected a request for higher prices from other developers. The PSC drew a line in the sand that likely constrained NYSERDA's negotiations: no price increases for competitively awarded projects.

Other early projects canceled their deals after the decision, and similar moves have upended efforts in other states.

The state's utility regulator — publicly backed by Gov. Kathy Hochul's administration — has held firm on its policy of limiting rate increases on consumers, even as a transmission line running into New York City that supports the 2030 target faces financial uncertainty.

Environmental advocates are alarmed by the challenges facing the industry. Offshore wind is key to reaching New York's goal of 70 percent renewable energy sources by 2030, along with other longer-term targets. But there is growing evidence that the mandate will be hard to reach.

"We are very concerned about not meeting the climate goals," Adrienne Esposito, executive director of the Citizens Campaign for the Environment, said before NYSERDA's announcement. "All three of these are in a holding pattern and we need a flight plan."

But some environmental groups were optimistic that NYSERDA would be able to stay on track.

"I don't think it's going to create a big setback as far as time goes," said Julie Tighe, the president of the New York League of Conservation Voters. "I remain hopeful that we'll be able to get some more projects online by 2030."

It is possible that some of the project developers might turn their attention to winning awards in New Jersey, where another solicitation is expected later this year.

New York also has pending contracts still in the works for the two early projects that were reawarded at significantly higher costs for ratepayers. The two projects are the 810 MW Empire Wind 1 developed by Equinor that is south of New York City and the 924 MW Sunrise Wind developed by Orsted and Eversource off the northeast tip of Long Island.

NYSERDA's schedule calls for those contracts to be finalized by the end of June. Those are expected to be online by late 2026.

*CORRECTION: An earlier version of this report misstated the locations of two projects by Equinor, Orsted and Eversource.*

**DEPTH**  
**IN FIGHTING THE TROUBLESOME LOCAL DAY-TO-DAY ASSAULTS  
ON OUR FREEDOM AND PROPERTY, IT IS ALSO IMPORTANT TO  
KEEP IN MIND THE LARGER UNDERLYING IDEOLOGICAL,  
POLITICAL, AND ECONOMIC CAUSES**

**WHAT A LIBERAL EDUCATION MEANS**  
**BY JOHN LONDREGAN**

What exactly is a liberal education, and why is it important? Many see higher education as a gateway to a successful life, and, more particularly, to a successful career. A college education is an expensive undertaking, yet a typical college graduate brings home about 80 percent more earnings than she would have without her degree. With such high stakes, the tangible benefits are impossible to ignore. This vocational perspective is often placed in contrast with a liberal education that expands graduates' horizons, giving them a greater appreciation of their world and better skills at making prudent decisions. But to the frustration of social planners, the earnings premium that arises from the enormous investment in "human capital" that a college education entails isn't just a matter of teaching applicable skills in a business or an engineering program.

College graduates are simply better than they would have been at solving problems, learning new skills, and coping with the challenges of the workplace precisely because many of them have a liberal education.

The term "liberal education" defies categorization of the intellectual package tour variety: "two courses in a modern foreign language, a half dozen in literature, and another class in art history, with half a day at the end to take pictures and buy souvenirs" just doesn't capture what it's about. Liberal education means something more than the pursuit of knowledge. We might create a useful taxonomy that partitions learning into three categories: learning for the pleasure of learning; instrumental learning for gain; and learning for the sake of deepening one's character, which is what we really mean by liberal education. Of the three sorts of learning, the last is the only one that involves a reciprocal obligation to disseminate and to expand what is known.

Turning first to the sort of knowledge that is pleasurable: We read because it entertains us. We maneuver mazes, memorize poems, learn the names of long-dead Roman emperors, and master

the rules of roleplay games because it is fun. If the crossword puzzle ceases to amuse, we can simply walk away. This type of knowledge has its charm, but if we focus too much of our time and energy on it we become jaded and easily bored. While one might become addicted to detective novels (or to haiku), we owe them nothing.

The second type of learning is instrumental and pertains to knowledge that is useful and the practical mastery of skills: how to design an electric generator, navigate a bureaucracy, write persuasive prose, sequence a strand of DNA. This form of learning makes us more successful in our endeavors. It is how we earn a living and exercise influence over others. Instrumental learning goes on all over the typical college campus, and it is the reason why donors write large checks to universities. There is nothing wrong with this type of learning, but it is, in the end, judged according to its usefulness. With the advent of calculators, many, including engineers, spend less time honing their skills at mental arithmetic. The obligations that come with this form of knowledge are fiduciary (one needs to pay off student loans) and moral (one owes it to one's family, to one's government that helped pay for the education, and to the benefactors who contributed scholarship money to put one's education to productive use).

This brings us to the third variety of learning, the kind that sustains a liberal education. It often overlaps with practical and entertaining learning, but it demands more from us. Liberal education requires us to call upon our better nature. It requires discipline. We find certain kinds of comprehension important not because they entertain us, or because we can see any practical use in them, but because we simply need to know how something works, or why it matters, or what it tells us about how other things work. We build theories, discover facts, and challenge ideas because these are worthy activities in their own right.

But this kind of learning comes with an obligation to knowledge itself. This starts by imbuing oneself with knowledge. What was known by somebody else has now become something understood by the learner. This comes with severe effort, a kind of learning that runs bone-deep, as opposed to doing just enough to get through the exams with a sufficient grade. If one's objective in life is to be entertained, then it's probably best to skip college and start reading the works of Honoré de Balzac or Jane Austen. If one wants to become rich, one would do better to sacrifice one's perfect GPA to free up time for an internship.

Getting a liberal education means allowing the love of learning to get under one's skin. But after college, just increasing one's own knowledge won't be enough anymore. The liberally educated person is called to share what he has learned with others, and to expand what is known by humankind, not because it is entertaining, though sometimes it will be, or because it is practical, notwithstanding that it often will be, but because there are things that need to be understood for their own sake. If this reminds you more of chapters 8 and 9 of Aristotle's *Ethics* than of chapter 6, it is not an accident. A liberal education is a virtuous friendship with learning.

*The essay is based on remarks delivered at the October 2023 induction of new Phi Beta Kappa members at Princeton. John Londregan is professor of politics and international affairs at Princeton. It appeared First things, on April 17, 2024*

# GROSS DOMESTIC INCOME SHOWS AMERICA IS IN STAGNATION

BY DANIEL LACALLE

In a recent CNN poll, 48% of respondents stated that they believe the economy remains in a downturn, and only 35% said that things in the country today are going well. The disparity between somber economic sentiment and a surprisingly strong headline unemployment rate and Gross Domestic Product (GDP) can be easily explained.

The divergence between headline GDP and Gross Domestic Income (GDI) is staggering. While GDP suggests a strong economy, GDI reveals a stagnant economy. Both measures used to follow a similar pattern, but this changed drastically in 2023. While GDP rose 2.5% in 2023, GDI only bounced 0.5%, effectively signaling economic stagnation.

According to the Bureau of Economic Analysis, real GDI increased only 0.5% in 2023, compared with an increase of 2.1% in 2022. If we use the average of real GDP and real GDI, it increased only 1.5% in 2023, compared with an increase of 2.0% in 2022. Not a recession, but certainly a weak economy.

The unemployment figures show weakness as well. Real wage growth in the past four years has been negligible, at 0.7% per year, four times weaker than the previous four years. Furthermore, the labor force participation rate remains below the pre-pandemic level at 62.5%, the same as the employment-population ratio at 60.1%. Poor real average hourly earnings combined with a decrease of 0.6% in the average workweek resulted in an uninspiring 0.5% increase in real average weekly earnings in the year to February 2024.

There is also a weak trend in profits. In 2023, profits from current production (corporate profits with inventory valuation and capital consumption adjustments) increased \$49.3 billion, compared with an increase of \$285.9 billion in 2022, according to the BEA. Profits of domestic nonfinancial corporations increased \$66.6 billion, compared with an increase of \$247.6 billion in 2022. This is a very weak trend.

All these figures indicate that the US economy is performing significantly better than the euro area, but it is still far below expectations.

Keynesianism is working against the potential of the United States economy. The accumulated \$6.3 trillion deficit of the past four years had a negative impact on the economy. Rising taxes and persistent inflation are eroding the average American quality of life. More citizens need to hold more than one job to make ends meet, and the number of multiple jobholders has reached a multi-decade record.

Gross Domestic Income proves the economy is stagnant, and if we look at GDP and GDI excluding the accumulation of debt, they show the worst year since the 1930s.

How can an economy be stagnant with 2.5% GDP growth? Here is the failure of Keynesianism in all its glory. Headline aggregated figures are optically strong due to the accumulation of debt,

and employment figures are bloated by government jobs, disguising a struggling private sector and a weakening purchasing power of the currency.

Cheap money is very expensive in the long run, and discontent rises as Keynesianism focuses on increasing the public sector while the productive economy suffers higher taxes and more challenges to pay the bills.

Inflation is a consequence of the misguided increase in government spending and debt monetization in the middle of a post-pandemic recovery, leading to an aggregate loss of purchasing power of the currency that is close to 24% in the past four years. The government is taking in inflation what it promises in entitlement spending. The result? You are poorer.

It is dangerous to blame Americans' discontent on a lack of information. Americans are suffering a prohibitive tax wedge as well as the hidden tax of inflation just because the government decided to play the oldest trick in the book: promise "free stuff" and print new currency through deficit spending, which makes the allegedly free programs more expensive than ever.

The failure of Keynesianism is evident. Sadly, politicians will promise more Keynesianism and present themselves as the solution to the problem they have created.

*Daniel Lacalle the author of the bestselling books Freedom or Equality (2020), Escape from the Central Bank Trap (2017), The Energy World Is Flat (2015), and Life in the Financial Markets (2014).*



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### PAYMENT METHOD:

Check  Visa  MasterCard  Discover  Amex NOT accepted.

Cardholder Name: \_\_\_\_\_ Signature: \_\_\_\_\_

Card Number: \_\_\_\_\_ Exp Date: \_\_\_/\_\_\_ Billing Zip Code: \_\_\_\_\_ CVV: \_\_\_\_\_

TODAY'S DATE: \_\_\_\_\_