



# LAUNCHING THE SUSTAINABLE COMMUNITIES FRAMEWORK PROGRAM

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## Launching in Ohio

National Commonwealth Group, (NCG) has developed a comprehensive economic development system called the Sustainable Communities Framework (SCF)<sup>1</sup> and is piloting this concept in Ohio.

The SCF tracks closely to the Green New Deal<sup>2</sup> (GND). The key difference is that the GND will be a program authorized, administered and funded by the federal government.

By contrast, the SCF is a regionally managed, grassroots effort largely self-funded by money issued by the people themselves, known as complementary currency.<sup>3</sup> In Ohio, we are calling that currency the BuckOH.

Like the GND, the SCF is a multidimensional program that includes

economic, environmental and social elements.

The goal of the SCF program in Ohio is to not only help revitalize the state's economy and improve residents' quality of life but to also serve as a model for implementing the SCF elsewhere.

This document works as a roadmap for implementation and also how to fund a project of this magnitude in a sustainable manner.

## Where to Start

To determine the order of implementation, we need to begin with the foundational piece – the complementary currency.

For something to be generally accepted as money, two key questions must be answered:

- “Is this *real* money?”
- “Where can I spend it?”

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*Wikipedia defines money as “... any item or verifiable record that is generally accepted as payment for goods and services and repayment of debts, such as taxes, in a particular country or socio-economic context...” In other words, money can be anything as long as it is generally accepted as money.*

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## How Can We Answer Those Questions?

One of the ways to answer the first question is to get a recognized authority in the community to accept the currency.

One of the best authorities would be a local governmental (like a town or a city) that could accept the currency for payment of taxes or fees. The same would apply for a public utility like an energy provider, water supplier or mass transit system. If residents can pay

those entities in the local currency, it will be viewed as money. There have been many [successful examples](#)<sup>4</sup> of this approach throughout history.

While getting a government or utility to accept the currency can help overcome concerns as to its

legitimacy, they also will want an answer to the second question. “Where can we spend it?”

Thus, an adequate answer to this question automatically answers the first. So, where might most people and organizations want to spend a local currency?

## Local Merchants

Ultimately, a currency is useful if one can purchase everyday goods and services with it. Can I buy food, get my hair cut, pay my utility bill?

The ability to spend it to obtain something of value, in a fashion similar to spending a national currency like U.S. dollars, turns a complementary currency into real money.

That, of course, leads us to the small business community (referred to as SMEs, i.e., small and medium enterprises). Getting these businesses to accept the currency turns it into real money for the community.

## Getting SMEs to Accept the Currency

So, what is the key to getting SMEs to accept it? Simple —show them how it makes them more profit.

If a merchant is presented with a solid business case as to how they will make more profit, by doing what they already do and then adding elements related to the local currency, then most merchants will likely get on board. NCG has introduced unique elements to its local currency program that cause it to stand out from the vast majority of other programs around the world.

Most issuers of a complementary currency get merchants to accept it as part of a [Buy Local campaign](#),<sup>5</sup> typically established to encourage buying from locally owned businesses, thereby keeping money in the community. From the merchant’s perspective, they will usually realize an increase in the number of their customers, a prime motivator to accept the alternative currency.

Buy local campaigns leverage a concept known as the “[local multiplier effect](#),”<sup>6</sup> a positive compounding phenomenon also known as a “local premium.” Typically, ~48% of each purchase at local independent businesses recirculates locally, compared with less than ~14% of purchases at remotely owned stores (i.e., three times as much!).

However, if all the issuers of the local currency can offer merchants is the prospect of additional customers, experience shows that it takes a lot of effort to enroll and retain those merchants.

Fortunately, there are other things that can be done for merchants that can make enrollment in the local currency program much more attractive and compelling.

# What Would Appeal to SMEs?

Our program contains four distinct elements that make a compelling case for participation in the program:

## 1

### Credit facilitation

Merchants often need business credit to facilitate acquisition of supplies and to smooth out their cash flow. Providing a no-hassle line of credit in the complementary currency would likewise make it easier to run their business. It would also have the benefit of providing them with a block of the complementary currency to spend immediately without having to wait until customers spend some in their business.

(and others who accept credit cards), offering reduced fees and bonus compensation in the form of the complementary currency, thereby increasing their net profits

## 2

### New revenue sources

New sources of income at no additional cost will further motivate merchants to enroll.

Lottery tickets are a good example. The merchant need only install a ticket machine and gets a commission on every ticket sold (typically around 5%). That is pure profit as they have no underlying cost of goods. If a complementary currency issuer can offer a similar arrangement for sale of the currency, that would add pure profit to the merchant's bottom line with essentially no up-front costs.

Credit card processing represents another area where a merchant may realize additional profit. Almost all transactions now use credit or debit cards and gift cards, and merchants pay an average of 3% of each sale to card processing services. We will provide that service to SMEs

## 3

### Reducing expenses

Reducing expenses increases net profit to a business. Wall Street and big business demonstrate this concept every day in their relentless drive to reduce their expenses (especially employee expenses) in order to drive up their profits. If the issuer of a currency could help to shoulder some of a merchant's expenses (especially related to employees) that would likewise encourage them to get on board.

## 4

### Higher profit margins

Providing merchants with increased profit margin on existing sales without increasing their prices would make the program much more attractive.

Most merchants survive on thin profit margins and an increase will make a huge difference. For example: A 10% profit on a transaction is far more appealing than 5%, resulting in double the net income to the merchant.

Our SCF Merchant Program does all of these things for Ohio SMEs, as described in [this document](#).<sup>7</sup> The business case for participation is strong. And the momentum generated by participating merchants will help recruit others.

The Merchant Program also provides NCG with the means to fund a project of this magnitude, as explored below.

## How Can This Be Accomplished?

We can do the things described in that document because we do things differently.

What sets NCG's system apart from the vast majority of complementary currency programs in use around the world (~5,000 active programs), as well as historically, is the manner in which NCG issues the BuckOH.

Nearly every one of those other programs issues their currency just one way – they exchange it for the national currency (i.e., they “sell” it and normally have to redeem it back if the buyer wants to convert back to the national currency. In contrast, NCG will issue the BuckOH in four ways – “sell it” like the others (but no redemption) and also lend, invest and, most particularly, spend it into existence.

The premise to this approach is explored in three parts on our website in the section: [Money - It's Not What Most of Us Think](#).<sup>8</sup>

Part 1: [What is Money?](#)<sup>9</sup>

Part 2: [Creating Successful Alternatives](#)<sup>10</sup>

Part 3: [Implementing a Local Currency Program](#)<sup>11</sup>

Part 3 is where we explore these four ways to issue a complementary currency. The first three methods are reasonably self-explanatory. It is the “spending” one that typically represents a

new concept. It means that the issuer directly issues the currency to recipients.

In NCG's case, that means we create new BuckOHs on our [complementary currency banking system](#)<sup>12</sup> and deposit them into the accounts of the recipients. Those BuckOHs are not pulled from any other source. Thus, we spend them into existence.



*One key consequence of spending money into existence is that it increases the local money supply. The same applies to selling it with no redemption (non-convertible).<sup>13</sup>*



For example, if the local currency is exchanged (sold) for the national currency, then the money supply is not increased if redemption is offered. That's because the money received from the local currency sale has to be held on reserve for redemption and therefore is not available for circulation in the local economy. The same applies to lending it or investing it, which just moves the currency from one existing owner to another.



Generally, an economy is more vibrant the more money it has in circulation (short of inflation). Thus, adding to the local float on an ongoing basis helps to stimulate the economy as there is more money to purchase goods and services. That in turn creates the conditions for increased entrepreneurial activity and the launch of new businesses.

More than any other option, this direct spending approach injects new money into the local economy, especially to pay for things that otherwise might require tax dollars to fund. Taxes remove money from circulation and thus this approach not only puts money into circulation but reduces the amount being removed for a double impact.

# Key Components of the Merchant Program

## 1

Provides the merchants with an initial BuckOH line of credit for just enrolling, with the provision of increasing it under certain conditions (i.e., “lends” BuckOHs). This line of credit is provided under very favorable pay-back terms and may even include no interest. The initial line of credit will likely not impact other credit facilities (such as with a bank) and provides the merchant with an immediate supply of BuckOHs to use for their own expenditures, without having to wait until customers spend BuckOHs with them.

## 2

Provides merchants the opportunity to sell BuckOHs to their customers and receive a substantial commission for doing so. (10% in USD and an equal number of BuckOHs for an effective commission equal to 20% of the BuckOHs sold – four times lotto sales commissions). Thus, the merchants help NCG sell BuckOHs. What is left over after the commission goes to NCG, i.e., 90% of the BuckOH sale income. © NCG is 90% of the USD sale income.

All told, the above elements have the potential to substantially increase the overall profit of a small business, motivating merchants to join the program and begin accepting BuckOHs. That will then substantially encourage the community to likewise embrace that currency.

## 3

Helps the merchants increase wages to their employees (up to the equivalent of \$15/hour) along with providing them with additional employee benefits, all without increasing expenses to the merchant. This is done by providing the merchant with various BuckOH grants to be used to increase wages and pay for benefits upon certain conditions. (NCG creates BuckOHs and grants them to the employer, i.e., spends them into existence).

## 4

Increases profit margins for SMEs on their existing sales by providing them with credit card and debit card processing that includes bonuses in BuckOHs if they take a portion of the card processing settlement in BuckOHs. This can yield 100% of their selling price and eliminate the card processing fees. (NCG creates BuckOHs and exchanges them for dollars).

## How Does this Benefit NCG and all of Ohio?

Income to NCG from the sale of BuckOHs and its card processing service will be used to fund programs under the Sustainable Communities Framework.

NCG already has effectively an unlimited checkbook to issue BuckOHs that can be used to purchase goods and services sourced in the state. Labor would qualify and many products like food, building materials, renewable energy and other items can also be locally sourced.

NCG then also requires a pool of dollars for things that cannot be paid for with BuckOHs

alone. For example, one of our programs supports the establishment of local solar micro-grids to service individual communities. Solar panels, batteries and the other hardware would likely have to be purchased using USD. The Merchant Program identified herein has the potential to provide those needed dollars.

Here is how



# 1

## Sale of BuckOHs

Our goal is to keep as much money in the state as we can and grow it.

As noted, when an issuer of a local currency sells the currency with the option to redeem it back from the buyer, that significantly constrains the amount of new money injected into the local economy and also does not provide the issuer with any income to use for support of a larger mission (since all that income has to be set aside for possible redemption).

Therefore, unlike most other complementary currency programs that “sell” a local currency with the option to redeem it, NCG will sell the BuckOH as a non-convertible

currency. With no redemption, NCG does not have to set aside a reserve of the income from the sale and every dollar taken in is available for other purposes.

However, buyers can sell their BuckOHs to other parties if they wish. Banks may elect to buy BuckOHs as part of their efforts to satisfy the requirements of the federal Community Reinvestment Act (CRA).<sup>14</sup> Visitors will be encouraged to purchase BuckOHs to help the state more than if they just spent their dollars.

This sale with no redemption option has two key benefits.

It means that the number of BuckOHs will continue to grow in the local economy, and that NCG will be able to apply that dollar income to the other aspects of the SCF program, providing it with a steady and continuous source of funds that supports the whole effort. For every BuckOH sold, it produces a two for one increase in the amount of money in local circulation.

As we pointed out above, the merchant receives an effective 20% commission for selling BuckOHs – 10% of the USD cash received plus an equal amount in BuckOHs. If a merchant sells

approximately \$50,000 worth of BuckOHs in a year (10% of their credit card transactions), they will make approximately \$5,000 plus 5,000 BuckOHs.

That means NCG will take in approximately \$45,000 on

that \$50,000 worth of sales per merchant. With just 500 merchants enrolled in the program, that will yield over \$20 million that NCG plows back into the community for use in its community investment programs.

Our goal is to enroll many more than 500 merchants.

Additional ways others might participate are introduced below.



## 2

### Card Processing Fees

When a credit/debit card is used for making a purchase, the card is read by a machine provided by a card processing service company that charges the merchant a fee for that service. Fees vary but are generally around 3% of the transaction.

Thus, on a \$100 purchase, the merchant normally receives approximately \$97.

Here is where our program can be more beneficial to both the merchant and NCG.

If the merchant is willing to take \$95 instead of \$97 (just \$2 less than normal), they will receive 5 BuckOHs in addition to the \$95, and NCG will absorb the card processing fee.

Thus, they receive the equivalent of 100% of their selling price – 95% in USD and 5% in BuckOHs.

If the merchant would like to realize even more BuckOHs, NCG will allow them to exchange up to

the remaining 95% of their transaction on a \$1 for 2 BuckOHs basis.

For example: If the merchant takes \$5 out of their net USD for a new net of \$90, NCG will provide the merchant with 10 additional BuckOHs, yielding an equivalent return to the merchant of 105% of their selling price (i.e. \$90 plus 15 BuckOHs = 105% of their \$100 selling price).

Merchants can realize additional income from also selling BuckOHs.

Through these mechanisms, merchants can realize substantial addition income and net profit by participating in the BuckOH program.

The more merchants accept BuckOHs as part of their card processing settlements, the more dollars that will generate for NCG's economic development programs, circling back to participating merchants in the form of increased economic activity.

That is because it costs NCG nothing to produce the BuckOHs and every dollar exchanged by the merchant for BuckOHs means an additional dollar that NCG can use to boost community spending power.

NCG thus has USD funding to direct to the rest of the SCF program in the local region. The more merchants that enroll, the more money available for reinvestment in the community.



## What Else Can be Done for Small Businesses?

The SCF Merchant Program is designed to address the needs of existing small businesses by providing them with enhanced profit via participation in the BuckOH program.

It will also provide NCG with a that will require U.S. dollars.

NCG has an unlimited supply of BuckOHs it can use to can fund many aspects of the SCF program. By having a sustainable source of US dollars in addition, NCG will likely be able to self-fund most if not all of the SCF program in the state. Any additional money brought in via donations and grants will add to that.

However, there are other segments of that SME community that will also need help -- raw

startups, growth companies and companies for sale (many owners now [want to retire](#)).<sup>15</sup>

The Merchant Program provides NCG with the resources it needs to establish a startup program based on the NCG's team experiences in that space, along with a workforce development program. BuckOHs can be used to provide startup companies with a seed funding grant (not investment or loan) to allow them to prove their fundamental business premise and get the company off the ground.

With respect to growth companies (which will require a venture capital-like funding pool) and companies for sale (which will require a different kind of funding pool, typically called an M&A (mergers and acquisitions) pool, NCG will be establishing several investment companies, primarily structured as Small Business Holding Companies (SBHCs) as described on this [page](#)<sup>16</sup> and in this [article](#).<sup>17</sup>



### CONTACT

Michael Sauvante, Executive Director  
805 757 1085  
[msauvante@commonwealthgroup.net](mailto:msauvante@commonwealthgroup.net)



## ENDNOTES

- 1 [scf.green](https://scf.green)
- 2 [en.wikipedia.org/wiki/Green\\_New\\_Deal](https://en.wikipedia.org/wiki/Green_New_Deal)
- 3 [en.wikipedia.org/wiki/Complementary\\_currency](https://en.wikipedia.org/wiki/Complementary_currency)
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