

# Sustainable Communities Framework

## Harnessing history for a prosperous future

Communities in crisis need access to capital and credit to revive and stabilize their economies. But too often the small and mid-sized businesses (SMEs) that form the backbone of local economies lack sufficient assets to collateralize bank debt. Workers, meanwhile, want meaningful jobs and a living wage. For centuries, complementary currencies have been used by buyers and sellers to fill the gap between available work and willing workers, restore vibrant communities, and keep profits local, all without incurring further debt. Using such a parallel currency will enhance and accelerate economic and environmental stimulus projects by providing a living wage to the new employees hired as businesses expand.

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*The Covid-19 pandemic exacerbated structural problems in the funding model for everything from local and regional governments to small and mid-sized businesses and the non-profit sector. Workers are willing and able to work, work needs done, but the money required to bring them together is lacking.*

*The solution lies in creating a different connection between the two; a different kind of money.*

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A historically proven technique to grow and insulate a community powered by SMEs is the adoption of a complementary currency — one which doesn't require politicians to agree or cost taxpayers a dime. Applying best practices from numerous successful complementary currency programs worldwide, ours is designed to benefit all citizens and organizations. Each state will name and manage its own currency.

We start by granting the currency to local

community foundations, homeless and housing organizations, after school programs, small-scale sustainable farming, food desert programs and other underfunded initiatives. We provide support to startups and roll out programs that can increase the profitability of small businesses, enabling them to hire new employees. The uptick in economic activity spurred by the introduction of the currency will help replenish the depleted budgets of cities, counties and states, and incentivize local job creation.

## Beyond "Buy Local"

Most local currencies aim to keep money circulating locally. Residents are encouraged to spend the complementary currency with local merchants, reducing the flow of funds out of the community.

Local currencies leverage the well-known "local multiplier effect,"<sup>1</sup> a positive compounding phenomenon also known as a "local premium." According to the American Independent Business Alliance,<sup>2</sup> 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!).<sup>3</sup>

Local currencies are normally purchased with the national currency, which has to be set aside for re-purchase of the complementary currency (called "convertible currency"). The limitation of this approach is that while it does reduce money leaking out of the community, it doesn't expand the total amount of money available because one currency is simply exchanged for another. The currency will not be convertible and therefore the money supply is increased with each purchase.

The more money that is circulating locally, the more robust the local economy. Thus the goal of introducing the currency is to encourage both buying local and increasing the overall amount of money in circulation. Both enhance the local multiplier effect.

But expanding state economies is precisely why SCC (see below) proposes introducing a complementary currency. SCC will issue the currency by lending, investing, granting (i.e., giving it away) and selling. The introduction and use of the currency will benefit local businesses, workers, consumers and communities.<sup>4</sup>

## "Where Can I Spend the Currency?"

Understandably, this is the first question asked by folks receiving the complementary currency.

The answer is the reason for our focus on small and medium-sized enterprises. Because these currencies are local, their acceptance by area merchants, farmers, medical providers, mechanics and others boosts widespread acceptance.

## WHO IS SCC?

**Sustainable Communities Corp. (SCC)** is a 501(c)(4) non-profit organization dedicated to local community economic development. It focuses on small and mid-size businesses as critical factors in job creation, prosperity and quality of life.

SCC's Sustainable Communities Framework program is built around a modern application of the historically successful use of local complementary currencies. It is not government-dependent and incurs no additional debt obligations.

# How the Currency Expands Economic Activity

When local businesses accept the currency, they become eligible for benefits.

For startups, SCC can provide seed funding grants to help them establish the viability of their business plan, i.e., proof of concept.

For established businesses, SCC can provide:

- Low-interest lines of credit denominated in the currency.
- Grants to bring employee compensation up to the equivalent of \$15/hour.
- Grants to pay for fringe benefits as a tool for recruiting and retaining employees.
- Commissions for selling the currency and recruiting customers to open a currency bank account. Commissions will also be paid for selling the currency in a form that resembles pre-paid credit cards, aimed primarily at those who need temporary use of the currency.
- Grants to pay for new employees, including paid interns, with potential IRS tax credits for hiring certain types of employees.

## Servicing Currency Transactions

All the options discussed here entail SMEs accepting and using the currency. How will it be issued? How will currency-denominated transactions be managed?

The banking system we will use to manage the banking functions of our currencies resembles the online banking systems used by most banks and credit unions, while also serving as a payment platform similar to PayPal.

However, our system goes far beyond a banking and payment platform to a complete solution needed to support a parallel financial ecosystem where regions issue and use their own currency. It includes a) a virtual eBay-like mall where users can find listings and dedicated webpages for a variety of businesses that sell

goods and services, including job listings and training, all of whom accept the local currency; b) a Craigslist-like classifieds listings platform where anyone can advertise goods and services for sale or wanted, and where the party listing the classified ad will accept the local currency for payment; c) a Facebook-like social networking platform where users can link up around a common interest area; and d) a gateway to an online incubation/acceleration system that can not only be used to help launch and grow new and existing businesses, but also

serve as a comprehensive concept development site where any idea, innovation or project can be guided from raw idea to implementation. We call this program our Entrepreneurship and Workforce Development Program (EWDP)

The system will also serve to bring a large number of people into the modern banking system. By facilitating access for un- and under-banked residents to a bank account and mobile payment solution, merchants will further increase their customer base and revenues.

To use our platform, participating SMEs and consumers will have accounts structurally similar to checking accounts. They can transfer currency into and out of their account(s) much

like one does with a conventional online bank using a national currency. Account holders can use SMS banking and mobile apps to conduct transactions among themselves (like

Craigslist), while merchants and buyers can use smartphone POS (point of sale) applications along with more conventional terminals for commercial transactions

## Establishing a Complementary Currency

Widespread acceptance of a local currency requires that users have places to spend it.

If users can spend currency at a local business, then it has actual value. One additional constituency can be key to accelerating adoption: Local governments that agree to accept the currency and spend it back into the community. This topic will be covered elsewhere.

## Getting Small Businesses to Accept It

Merchants and other small business owners will, of course, ask the same question as individual users: "Where can I spend the currency as easily or nearly as easily as dollars?" Below are some ways in which we will incentivize them to add the currency to their daily transactions.

### 1 Seed funding grants to startups

Raising startup funds is the most difficult step in the fundraising process for any business and represents the single biggest barrier to launching viable businesses.

Successful venture capitalists (VCs) play a numbers game. They know that the majority of the companies they fund will ultimately fail, but they place enough bets that those that do survive more than cover those that do not. The more businesses they fund, the greater the chances of profiting enormously from breakout winners.

Raw startups are the riskiest stage in the life of a business, where failures are the highest and thus funding is the most difficult. Yet like the strategy of VCs, the more businesses that are started, the more will ultimately survive. But conventional funding sources cannot fund every viable plan, as even a substantial pot of dollars would soon be exhausted.

Local currency is different. The supply of currency is unlimited so every *viable* startup can be awarded currency grants. We will thus be able to launch many more potential businesses, with their commensurate new jobs, than can conventional financing. This massively improves prospects for new entrepreneurs, and the odds that some of those businesses will become breakout stars.

Providing grants to early-stage entrepreneurs will accelerate economic activity as opposed to the often drawn out, legally complex and costly methods of conventional investments and loans. The only condition of an SCF grant is that the recipient accept the currency as partial or whole payment for their goods or services.

With grants, entrepreneurs retain 100% ownership of their business until it is validated in the marketplace. At that point, they would enjoy a stronger case for conventional financing, or would more easily justify further grant funding, similar to how micro-loans are managed

## 2 Options for established businesses

Established businesses that need help can take advantage of new lines of credit; the sale of the currency for a commission; grants to increase employees, hire new employees and provide various employee benefits; and zero cost credit card processing if they are willing to accept the currency for all or a portion of their sales. This further expands local multiplier effects, generating more local sales as compared to chain stores.

## 3 Lines of credit

Getting merchants to accept the currency is one of our top priorities. To achieve this, we need to get it into the hands of local businesses even before customers start spending them with those merchants.

The easiest way to accomplish that is to provide the merchant with a base currency line of credit, which they qualify for just by signing up and agreeing to take the currency. If the business needs a larger line of credit, they will need to sell at least \$2,000 worth of currency on an average monthly basis (described in the next section). The more the average monthly sale of currency, the larger the line of credit.

***For a typical retail store, SCC will likely provide a line of credit in the vicinity of 2,000 units, giving them an immediate pool to spend with other merchants at no up-front cost, thus incentivizing merchants to buy from each other right away.***

SMEs would repay lines of credit with currency earned. No SME will be required to repay their line of credit until they've taken in currency. Additionally, we have the option to waive any interest on those lines of credit.

Customers with a currency bank account (including a line of credit) or pre-paid gift cards can make purchases by presenting a printed card with a QR code or by smartphone, debited to their currency bank account.

# 4

## Bonuses for selling the currency

Since participation in the currency program will be beneficial to all residents, individuals will from time to time want to convert USD into local currency. Local merchants again enter the picture, and will be one of our most important facilitators in getting currency into the economy. In so doing, those merchants will realize a significant increase in their overall profitability.

### SALE OF CURRENCY

Participating merchants can agree to also sell the currency on behalf of SCC (i.e., exchange USD for local currency). Those purchases can be cash or card transactions. Currency purchased will go into the buyer's account or on a prepaid card.

Visitors will also be encouraged to purchase local currency gift cards as a way to help the local economy.

- The merchant will receive a USD commission equal to 30% of the transaction, plus a currency bonus equal to 30% of currency purchased.

In essence, the merchant will make a 60% sales commission for selling currency on behalf of SCC. This is similar to merchants who sell lottery tickets, only the commission for selling currency will be much greater. This represents an additional revenue stream for the merchant that is pure profit.

SCC thus has USD funding to direct to the rest of the SCF program in the local region.

### ACCOUNT SIGNUP

Merchants will also be encouraged to get their local customers to sign up as ongoing local currency users and establish a currency checking account to be used for purchases wherever the currency is accepted.

- Each user account will be coded to identify the recruiting merchant so that subsequent eligible purchases are credited to that merchant. Thus, our merchants will be a virtual sales team, and have a significant motivation to promote the use of the currency.
- If an enrolled user purchases currency directly from SCC (e.g., a monthly payroll deduction), the recruiting merchant will receive the same commission as if the user had purchased at their business.

If users purchase currency from other merchants, the selling merchants, not the recruiting merchant, will receive the normal full commission for the sale.

# 5

## Extended Benefits

In addition to those benefits for merchants, the public benefits are substantial. Many residents likely to purchase the currency from local merchants are outside the dominant financial system. Addressing their needs has been a near intractable problem. But the local currency system engages the local SME community as a new solution. A robust currency network will solve the financial problem facing SMEs while providing the community critical goods and services. (See box for examples.)

### HOW THE CURRENCY HELPS THE UN- & UNDERBANKED

- The unbanked<sup>5</sup> (with no checking/savings accounts) and underbanked<sup>6</sup>: Can enter the modern economy, save on check-cashing and similar fees, build a history of responsible money management, and spend their currency with any merchant who accepts it.
- Those with cash that they would like to convert into local currency so they can use it as they would in the first example: This applies to many individuals who are paid in cash; migrant workers; or businesses like legal marijuana dispensaries who receive a lot of cash that they are not allowed to deposit into the U.S. banking system.
- Those who normally turn to check cashing services that charge substantial fees (something the unbanked or underbanked frequently have to do): Our merchants can convert the entire check into currency without charging a fee because of the merchant's commission. The merchant would have the option to split the disbursement into a combination of local currency and USD, where the merchant charges a fee for only the dollar portion of the remittance, provided the merchant follows all appropriate laws governing check cashing businesses.



## 6

### Grants to employers to increase wages

Employers are eligible for the grants described in Sections 6-8 provided they:

- Agree to accept the currency
- Sell the currency,
- Sign up new currency account holders.

Widespread acceptance that the current federal minimum wage is insufficient to live on for a full-time worker has led to calls for a minimum "living wage." Unfortunately, many small businesses do not generate sufficient profit to pay their employees what would be considered a living wage.

Local currency grants would allow employers to increase employee wages up to an amount considered a living wage.

Once all employees at a firm are receiving the equivalent of at least \$15 per hour in wages, the local program administrator for the SME currency programs will consider proposals from employers seeking additional grants to hire new employees.

## 7

### Grants to employers to hire new employees

This program is ideal for an employer who could benefit from having additional employees but cannot afford to pay them based on their current sales. They can enhance the currency program's benefits by hiring from certain federally targeted groups.

These groups have been targeted by the federal government as needing extra help in finding employment. Companies that hire such employees can realize federal tax credits that can reduce or even eliminate taxes owed by the business. So not only can those employers have those employees largely paid for by grants from SCC, but can realize tax benefits as well.

The most prominent of such programs is the Work Opportunity Tax Credit program (WOTC),<sup>7</sup> a federal tax credit<sup>8</sup> (and some state tax credits also) available to private-sector employers for hiring individuals from nine target groups<sup>9</sup> who have consistently faced significant barriers to employment.

### Community Reinvestment

By participating in the currency program, merchants can realize substantial additional income and net profit.

Income to SCC from the program is used to fund our community initiatives.

The more merchants accept the currency as part of their card processing settlements, the more dollars that will generate for SCC's economic development programs, c

SCC thus has USD funding to direct to the rest of the SCF program in the local region.

Also, to receive the grants described in sections 6 through 8, a merchant must sign up to process their credit/debit card transactions with SCC, along with other requirements described in Section 6 below



## Recruiting & retaining employees using fringe benefits

To receive this benefit, the merchant must satisfy the requirements set out above. With this in mind, NCG can enable employee benefits as currency grants (see box). This [page](#)<sup>10</sup> on the IRS website provides tax guidance on fringe benefits.

### Benefits that are Likely Partially or Wholly Tax Exempt

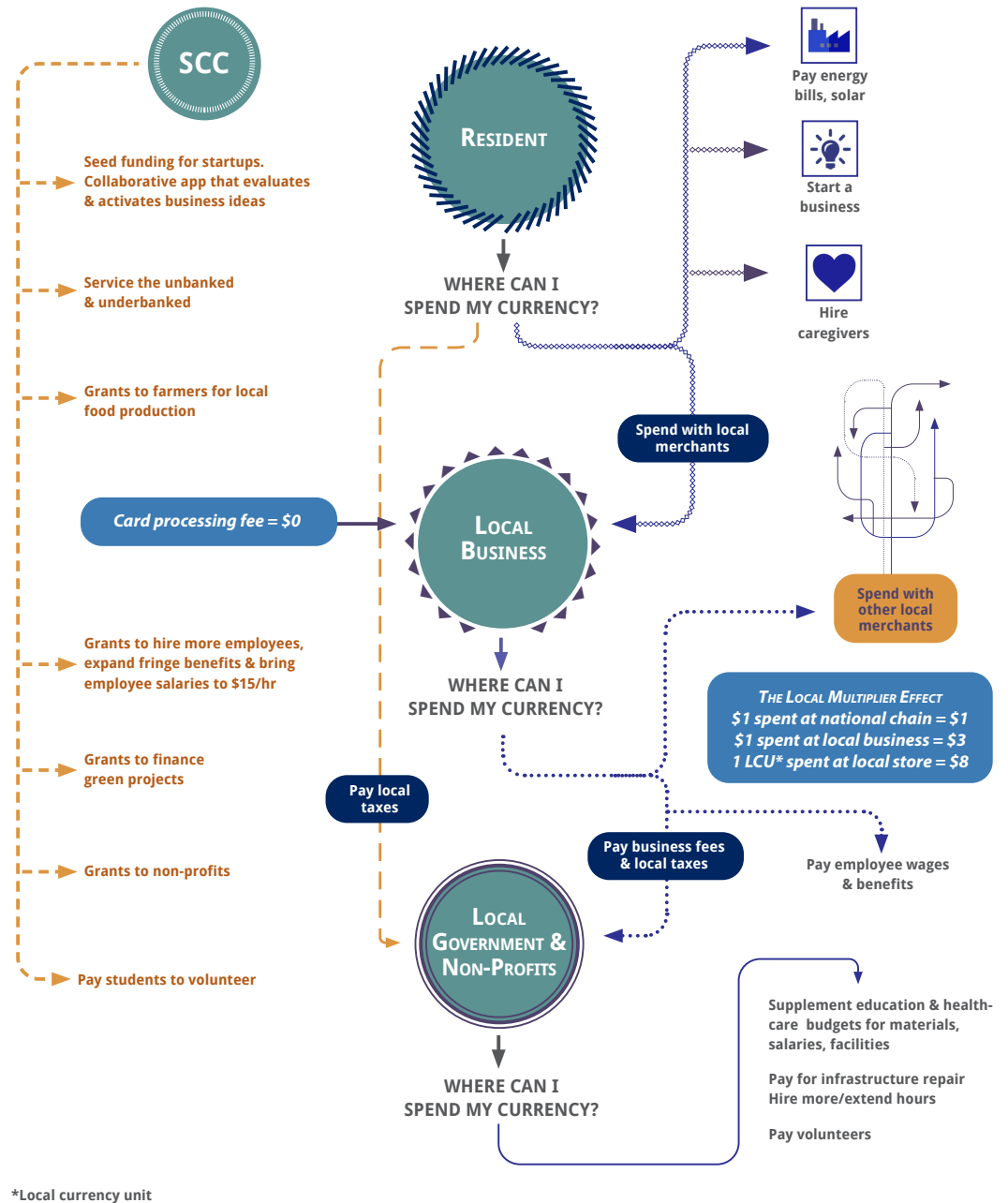
- Onsite and offsite dependent care assistance for children, invalids and the elderly (usually offered as a flexible spending account “FSA”).
- Education expenses including tuition assistance or reimbursement (See also IRS [page1](#) & [page2](#)).
- Lodging on business premises.
- Achievement awards up to \$1,600.
- Employee discounts on the company’s own products.
- Cafeteria plans.
- Out-of-pocket healthcare and dental care benefits and wellness programs including company gyms, exercise classes, smoking cessation and stress management programs.
- Adoption assistance.

### Benefits that are Likely Taxable

- Commuting expenses to and from work.
- Holidays and vacations.
- Family, maternity, paternity, adoption, military and medical leave.
- Housing and relocation expenses
- Severance pay.

# How Does a Local Currency Circulate Within a Community?

## LOCAL CURRENCY: WHAT'S POSSIBLE



## Other Useful Links

[Tax Credits Every Small Business Owner Should Know](#). A good article that provides information on a number of tax credits listed above and their tax benefits to owners.

[IRS Business Tax Credits](#) (for small businesses and self-employed)

US Dept of Labor: Employment and Training Administration, [Government Incentives, Tax Credits, and Assistance](#)

[EPA Economic Incentives](#), a general exploration of incentives, their forms and objectives.

[SBA incentives pages including Pick your business location](#): "Your business location determines the taxes, zoning laws, and regulations your business will be subject to."

[Using Tax Incentives to Support Community Health and Development](#)

[How Small Business Incentives Can Help a Company Grow](#)

[Economic Incentives for Small Businesses 2/23/2016](#) has a state by state table.

## ENDNOTES

- 1 [https://en.wikipedia.org/wiki/Local\\_multiplier\\_effect](https://en.wikipedia.org/wiki/Local_multiplier_effect)
- 2 <https://amiba.net>
- 3 <https://amiba.net/project/local-multiplier-effect/>
- 4 There may be tax consequences to the employer and/or employee for any and all of the listed options and benefits.
- 5 <https://en.wikipedia.org/wiki/Unbanked> "The unbanked are described by the Federal Deposit Insurance Corporation (FDIC) as those adults without an account at a bank or other financial institution and are considered to be outside the mainstream for one reason or another. The FDIC estimates there are 10 million unbanked or underbanked American households."
- 6 <https://en.wikipedia.org/wiki/Underbanked>
- 7 <https://www.doleta.gov/business/Incentives/opptax/>
- 8 <https://www.irs.gov/businesses/small-businesses-self-employed/work-opportunity-tax-credit>
- 9 [https://www.doleta.gov/business/Incentives/opptax/docs/WOTC\\_Fact\\_Sheet.pdf](https://www.doleta.gov/business/Incentives/opptax/docs/WOTC_Fact_Sheet.pdf)  
Target groups include qualified IV-A recipients; qualified veterans; qualified ex-felons; designated community residents; vocational rehabilitation referrals; recipients of SNAP benefits (food stamps); Supplemental Security Income (SSI) recipients; long-term family assistance recipients; and qualified long-term unemployment recipients.
- 10 <https://www.irs.gov/publications/p15b>



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