

## Phase II Phaseouts



When a community enters [Phase II](#), 5% of the [ground rent](#) that once went to the [ABC](#) goes to the [cellular democracy](#). It is anticipated that shortly after that, the cellular democracy will be fully funded by the [Earth Dividend](#). The transition should be easy since the Earth Dividend distribution is over 11x the initial ground rent of a [typical Phase II dominion](#).

Once in Phase II, rents skyrocket. All original residents have a free Earth Dividend, public services are overly funded, property taxes are gone, and new residents can get an Earth Dividend cheaply. However, should the ground rent increase 11x before the free Earth Dividends are issued, the cellular democracy could lose money transitioning to Earth Dividend funding. This is unlikely.

Why not let the cellular democracy keep the 5% rental stream in addition to the Earth Dividend distributions? After all, the community creates land value, and the local community is doing nothing more than keeping some of the rents local. Module [Problems with Local Distribution](#) shows the reasons for global distribution and the hazards of regional distribution.

All dominions must be equal per capita regarding Earth Dividend distributions. Otherwise, failed enterprises can lead to a vicious cycle of blight rather than an opportunity for rebirth.

The 5% of rent going to the cellular democracy is a far easier problem to solve than the 30% of ground rent going to the county. The rent is returned to the ABC once it has awarded an Earth Dividend to all original members of the Phase II dominion. In return, the ABC pays a windfall of one year of the 5% rent payments from the [Land Account](#) (a draw against the [Freedom Tax](#)).

The [property tax agreement](#) with the county was a contract, an understanding that the county would receive that 30% "in perpetuity." At [federation](#), the county no longer exists as a legal entity. Still, the cellular democracy does, and more likely

than not, Phase II counties would have long since surrendered their revenue and decision-making powers to the [level-4 dominion](#).

At federation, we would have Phase II dominions, receiving not only the Earth Dividend but also 35% of all ground rents in their dominion (30% + 5%). Why should they federate? These Phase II communities are the wealthiest places on Earth, and the rest of the world is clamoring to get on board. If Phase II communities agree to federate, they lose all ground rent outside the Earth Dividend. It is not a pretty picture.

This unhealthy situation must be prevented without coercion. There is a win-win solution: windfalls.

The 5% rent going to the Phase II cellular democracy will only be in place temporarily. Once the ABC has given all original dominion residents an Earth dividend, the rent at that moment shall be noted. Those dominion residents who were residents at the original time of Phase II dominion will have one month from the moment rent is indicated to obtain an Elsie Toolkit account along with the Earth Dividend.

Should there be waiting lines at the local DMV, the period must be extended until there are no more lines. Once lines have diminished, the 5% rent going to the cellular democracy shall be stopped. The cellular democracy shall receive a one-time windfall of one year of 5% rent, evaluated when the rent was noted.

Where does this money come from? The ABC fronts the money. It does not come from the operations fund in [Phase I](#). Phase I Land Fund money is used. In Phase II, the ABC must use its operations fund, although that fund is overflowing with cash in need of a place to invest.

In return, the ABC gets that 5% rental stream back into its ABC operations and profit fund. The rental stream lasts ten years from the date of Phase II dominion or federation, whichever is longer. This incentive encourages the ABC to pursue Phase II dominions and quickly provide an Earth Dividend for all residents. However, ABC has an even more significant incentive.

The 30% of ground rent going to the county disappears at federation with the county. However, when a county enters a Phase II dominion, and all original residents who want an Earth Dividend have received one, the county is eligible for

a three-year windfall of 30% ground rent (from when rent was noted) for surrendering the contract.

To juice up the pot, counties that are eligible to surrender their contract and do not are ineligible for the Freedom Tax. The number of counties that opt out of the windfall will be too small a minority to stop federation.

Furthermore, it is almost certain that residents will vote out legacy county officials who refuse to take the offer, as the windfall and Freedom Tax revenue benefit the county far more than keeping the 30% ground rent until losing it at federation.

Once again, the windfall money comes from the ABC Land Fund in Phase I, and the operations account in Phase II. The entire 30% rental stream goes to the ABC operations fund as superprofits for ten years from the date the associated dominion entered Phase II or federation, whichever is longer.

Projected windfalls total \$3.3 billion per Phase II dominion. At the start of year 5, the ABC land fund can optionally grow by over \$7 billion/month if need be. There is no financial issue.