

Creative Funding Sources For Fiber Infrastructure



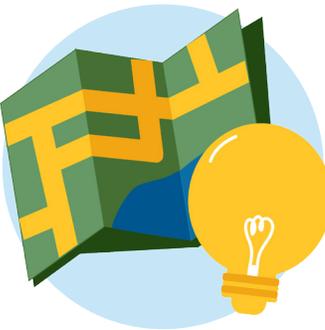
Local leaders are finding creative ways to pay for publicly owned infrastructure. In addition to the three most [common methods of funding municipal networks](#) — revenue bonds, interdepartmental loans, and avoided costs — communities are using new low risk, low cost techniques to deploy much needed fiber optic networks.



Local Improvement Districts (LIDs)

LIDs enable property owners within a designated area to join together to finance infrastructure improvements, such as fiber networks. The LID issues a bond backed by property assessments to fund the project, essentially attaching the cost of the network to each participating property. Property owners can pay the assessment all at once or over a longer period of time, usually 20 years. Anyone who chooses not to connect to the network is not assessed. LIDs must be authorized by state law and are created by the municipality.

Examples: [Ammon, Idaho](#)



Local Utility Districts (LUDs)

LUDs are similar to LIDs, except they are created by Public Utility Districts (PUDs) in the state of Washington. To form a LUD, a majority of property owners in a designated area can petition their PUD. Property owners are assessed to pay for the network once the PUD finishes construction. Like in a LID, property owners can pay the assessment all at once or over a longer period of time, usually 20 years.

Example: [Kitsap County, Washington](#)



Community Development Block Grant (CDBG)

First established in 1974 to assist with neighborhood revitalization, this federal program is directed at low- to moderate-income households. The grants are distributed by the federal Department of Housing and Urban Development (HUD) and can be used for a range of infrastructure and development projects, including fiber networks.

Examples: [Nelson County, Virginia](#); [Pasadena, California](#); [Eastern Shore of Virginia Broadband Authority](#)

Weighing Your Options

Local Improvement Districts

Positives

- + Only those who want access to the network pay for it
- + Little to no political risk for elected officials so more inclined to support investment
- + Network is deployed where people want it, resulting in high take rates
- + Allows property owner flexible pay-off terms
- + Cost of improvement to property stays with property in case of sale

Negatives

- Limited deployment; low-income neighborhoods with higher numbers of rental units may be left behind
- Slower deployment in communities where citywide buildout is the goal

Local Utility Districts

Positives

- + Allows property owner flexible pay-off terms
- + Cost of improvement to property stays with property in case of sale
- + Property owners can determine where PUD will expand infrastructure via petition

Negatives

- Every property participates, even if they do not want to connect to the network, unless PUD lets people opt out
- May be very costly in rural areas

Community Block Grants

Positives

- + Grant program, doesn't have to be repaid
- + Can be used for planning OR construction phases

Considerations

- +/- Must be used for areas where residents are primarily low-to-moderate income
- +/- Project must create jobs and comply with HUD's national objectives

Special Case Study: RS Fiber Co-op's Funding Approach

RS Fiber Cooperative in south central Minnesota creatively combined several traditional funding mechanisms. Participating towns loaned the cooperative seed funding, obtained primarily through **general obligation tax abatement bonds**. The co-op also received loans from local banks, a nonprofit, the local electric cooperative, and individuals. Other funding included equity investors and a state broadband program grant. In phase one, RS Fiber deployed Fiber-to-the-Home (FTTH) in the towns with a fixed wireless complement to bring high-quality connectivity to rural households. In subsequent phases, they will reinvest wireless revenues and borrow the balance to deploy FTTH in the more rural areas. When deployment is complete more than 6,000 premises will have access to FTTH in RS Fiber's 700+ square mile service territory, including homes, farms, and businesses.



Check out our 2016 report "[RS Fiber: Fertile Fields for New Rural Internet Cooperative](#)" for more on this model.