How Municipal Networks are Financed

Hundreds of local governments across the U.S. are offering Internet access to local businesses and/or residents, often in reaction to a lack of fast, affordable, and reliable connections in their community. Contrary to popular belief, none of the most common means of financing the network involves increasing local taxes. These are the three most common methods, but many networks have used a combination of these tools.

Revenue Bonds

How It Works
A local government or utility issues bonds to private investors that are repaid over many years with revenues from the network. Certificates of Participation work along similar principles. Fewer than 2% of municipal networks have defaulted on bonds

Examples: Lafayette, Louisiana; Cedar Falls, Iowa; Longmont, Colorado.

Internal Loans

How It Works
A department within the local government loans another department the necessary capital for building the network. Many states regulate the minimum interest rate and requirements for such a loan.

Examples: Chattanooga, Tenn.; Spanish Fork, Utah; Auburn, Indiana.

Avoided Cost

How It Works
A local government redirects existing funds used to lease connections from an existing provider to build and operate its own network, often resulting in faster connections at lower prices. If payback is longer than one year, bonds may be issued and repaid with the budget that had been used to lease lines. This approach is most common with smaller networks built incrementally, not citywide projects.

Examples: Santa Monica, California; Scott County, Minnesota.

Tax Dollars?

The vast majority of municipal networks **have not used taxpayer dollars** for a variety of reasons, the most common being that local elected officials are very reluctant to raise taxes. Though distant cable companies can get away with regular price hikes and subsidizing across borders, **elected officials have to be accountable to citizens.**

Common Results

More jobs, economic development in the community; lower prices; more choices for telecommunications services; better educational opportunities; more local economic activity. There are over 400 municipal networks offering service to local businesses and/or residents in the U.S.

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To learn more about community networks, visit MuniNetworks.org